NOVA SCOTIA

Public Accounts

VOLUME 1–FINANCIAL STATEMENTS

for the fiscal year 2002-2003

The Honourable Peter G. Christie,
Minister of Finance

NOVA SCOTIA

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for the fiscal year ended March 31, 2003

The Honourable Peter G. Christie,
Minister of Finance

Printed by Order of the Legislature
Halifax, Nova Scotia, 2003

To Her Honour,

The Honourable Myra A. Freeman
Lieutenant Governor or Nova Scotia

May It Please Your Honour -

The undersigned has the honour to submit the Public Accounts of the Province of Nova Scotia for the fiscal year ended March 31, 2003.

Peter G. Christie
Minister of Finance

Office of the Minister
Halifax, Nova Scotia

104-01817/

The Honourable Peter G. Christie
Minister of Finance
Halifax, Nova Scotia

Sir:

In accordance with Section 9(1) of the Provincial Finance Act, I have the Honour to submit the Public Accounts of the Province of Nova Scotia for the Fiscal year ended March 31, 2003.

Respectfully submitted,

Howard Windsor

Howard Windsor
Deputy Minister of Finance

Office of the Deputy Minister
Halifax, Nova Scotia

Province of Nova Scotia

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for the fiscal year ended March 31, 2003

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Province of Nova Scotia

Statement of Responsibility for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared by the Controller in accordance with the government's stated accounting policies

The stated accounting policies reflect the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

The consolidated financial statements include a Statement of Financial Position, a Statement of Operations, a Statement of Net Direct Debt, and a Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended.

The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

The Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Office of the
Auditor General

AUDITOR'S REPORT

To the Members of the Legislative
Assembly of Nova Scotia

I have audited the consolidated statement of financial position of the Province of Nova Scotia as at March 31, 2003 and the consolidated statements of operations, change in net direct debt and cash flow for the year then ended. These statements are the responsibility of the Government of Nova Scotia, represented by the Minister of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2003 and the results of its operations, changes in net direct debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

ER Salmon

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
July 15, 2003

Statement 1

Consolidated Statement of Financial Position

as at March 31, 2003

($ thousands)

	2003	*2002* (as restated)
Financial Assets		
Cash and Short-term Investments (Note 4)	$ 266,113	$ 1,278,321
Accounts Receivable and Advances	457,497	467,006
Inventories for Resale	1,327	1,154
Loans Receivable (Schedule 3)	901,763	877,041
Investments (Schedule 3)	34,002	42,292
Investment in Discontinued Government Business Enterprises (Schedule 4)	1,543	863
	1,662,245	2,666,677
Liabilities		
Bank Advances and Short-term Borrowings	395,701	223,712
Accounts Payable and Accrued Liabilities	1,009,156	1,023,540
Deferred Revenue	68,213	61,290
Accrued Interest	252,211	275,409
Unmatured Debt of Governmental Units (Schedule 5)	11,198,280	12,211,270
Unamortized Foreign Exchange Translation Losses and Discounts	(403,908)	(521,698)
Pension, Retirement and Other Obligations (Note 6)	1,326,960	1,492,093
Deficiency in Government Business Enterprises (Schedule 4)	21,474	29,027
	13,868,087	14,794,643
Net Direct Debt	(12,205,842)	(12,127,966)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	2,920,036	2,810,659
Inventories of Supplies	15,699	15,440
Prepaid Expenses	8,759	8,913
	2,944,494	2,835,012
Accumulated Deficits	$ (9,261,348)	$ (9,292,954)
Trust Funds under Administration (Note 7)	$ 6,804,434	$ 7,411,226

Accounting Changes (Note 2)
Contingencies and Commitments (Note 12)
Subsequent Events (Note 13)
Comparative Figures (Note 14)

The accompanying notes and schedules are an integral part of these Financial Statements.

Statement 2

Consolidated Statement of Operations

for the fiscal year ended March 31, 2003

($ thousands)

	2003 Actual	2002 Actual (as restated)
Revenue (Schedule 1)		
Provincial Sources	$ 3,152,548	$ 2,898,192
Federal Sources	1,785,190	1,935,794
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements	(21,909)	130,174
Federal Tax Collection Agreement Error (Note 8)	35,000	(35,000)
Other	523,713	521,482
Sinking Fund and Public Debt Retirement Fund Earnings	198,454	192,293
Total Revenue	5,672,996	5,642,935
Expenses (Schedule 2)		
Agriculture and Fisheries	41,440	43,955
Community Services	684,795	654,019
Economic Development	72,675	87,545
Education	1,181,385	1,124,209
Assistance to Universities	206,762	201,732
Environment and Labour	62,162	56,077
Finance	13,685	13,018
Health	2,168,212	2,079,357
Justice	89,333	87,665
Natural Resources	58,781	56,262
Public Service	80,682	77,107
Service Nova Scotia and Municipal Relations	98,048	88,631
Tourism and Culture	41,954	41,956
Transportation and Public Works	253,442	234,289
Restructuring Costs	(1,359)	65,396
Pension Valuation Adjustment	(152,318)	(244,804)
Loss on Disposal of Crown Assets	1,388	4,938
Debt Servicing Costs (Note 10)	1,079,624	1,198,251
Total Net Expenses	5,980,691	5,869,603
Deficit from Governmental Units, on an Expense Basis	(307,695)	(226,668)
Net Income from Government Business Enterprises (Schedule 4)	338,399	308,898
Surplus before Unusual Item, on an Expense Basis	30,704	82,230
Unusual Items (Note 3)	902	30,992
Provincial Surplus, on an Expense Basis	31,606	113,222
Accumulated Deficits, Beginning of Year:		
As Previously Reported	(8,750,392)	(8,696,164)
Accounting Changes (Note 2)	(542,562)	(710,012)
As Restated	(9,292,954)	(9,406,176)
Accumulated Deficits, End of Year	$ (9,261,348)	$ (9,292,954)

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Change in Net Direct Debt

for the fiscal year ended March 31, 2003

($ thousands)

	2003 ***Actual***	***2002*** ***Actual*** (as restated)
Net Direct Debt - as Orginally Reported	$ (11,561,051)	$ (11,370,084)
Accounting Changes (Note 2)	(566,915)	(731,036)
Net Direct Debt - Beginning of Year, as Restated	(12,127,966)	(12,101,120)
Changes in the Year		
Provincial Surplus, on an Expense Basis	31,606	113,222
Acquisition of Tangible Capital Assets	(307,665)	(327,054)
Amortization of Tangible Capital Assets	191,189	177,390
Disposals and other adjustments to Tangible Capital Assets	7,099	12,925
Increase in Inventories of Supplies	(259)	(770)
Decrease (Increase) in Prepaid Expenses	154	(2,559)
Total Changes in the Year	(77,876)	(26,846)
Net Direct Debt - End of Year	$ (12,205,842)	$ (12,127,966)

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Cash Flow

as at March 31, 2003

($ thousands)

	2003	2002 (as restated)
Cash Inflow (Outflow) from the following activities:		
Operations:		
Provincial Surplus, on an Expense Basis	$ 31,606	$ 113,222
Sinking Fund and Public Debt Retirement Fund Earnings	(198,454)	(192,293)
Foreign Exchange Amortization	(3,406)	(6,237)
Amortization of Tangible Capital Assets	191,189	177,390
Net Income from Government Business Enterprises	(338,399)	(308,898)
Net Change in Other Items (Note 11)	(24,358)	(692,009)
	(341,822)	(908,825)
Investing:		
Repayment of Loans	167,018	167,599
Advances and Investing	(183,450)	(175,128)
Net Advances from Government Business Enterprises	330,166	298,902
	313,734	291,373
Capital:		
Acquisition of Tangible Capital Assets	(307,665)	(327,054)
Disposal of Tangible Capital Assets - NBV	7,099	12,925
	(300,566)	(314,129)
Financing:		
Debentures Issued	934,714	2,657,686
Capital Leases	-	76,598
Foreign Currency Swaps and Adjustments	362	58,044
Sinking Fund Instalments	(235,089)	(286,654)
Proceeds from Sinking Funds for Debt Repayment	976,840	510,732
Repayment of Debentures and Other Long-term Obligations	(2,360,381)	(1,242,752)
	(683,554)	1,773,654
Cash (Outflows) Inflows	(1,012,208)	842,073
Cash Position, Beginning of Year	1,278,321	436,248
Cash Position, End of Year	$ 266,113	$ 1,278,321
Cash Position Represented by:		
Cash and Short-Term Investments	$ 266,113	$ 1,278,321

The accompanying notes and schedules are an integral part of these Financial Statements.

Revenue

for the fiscal year ended March 31, 2003
($ thousands)

	2003	2002 (as restated)
Provincial Sources		
Income Taxes	$ 1,558,625	$ 1,468,920
Sales Taxes	1,324,866	1,194,329
Other Provincial Revenue	269,057	234,943
	3,152,548	2,898,192
Federal Sources		
Equalization Payments	1,125,088	1,321,100
Canada Health and Social Transfer	605,117	553,375
Other Federal Payments	54,985	61,319
	1,785,190	1,935,794
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements		
Provincial Sources	(23,833)	83,281
Federal Sources	1,924	46,893
	(21,909)	130,174
Federal Tax Collection Agreement Error (Note 8)	35,000	(35,000)
Other Revenue	523,713	521,482
Sinking Fund and Public Debt Retirement Fund Earnings	198,454	192,293
Total Revenue	$ 5,672,996	$ 5,642,935

Net Expenses

for the fiscal year ended March 31, 2003

($ thousands)

	2003	*2002* (as restated)
Agriculture and Fisheries		
Department of Agriculture and Fisheries	$ 41,440	$ 43,955
Nova Scotia Blueberry Institute Fund	---	---
	41,440	43,955
Community Services		
Department of Community Services	619,256	593,230
Mainstream 1992 Fund	---	---
Nova Scotia Housing Development Corporation	65,539	60,789
	684,795	654,019
Economic Development		
Department of Economic Development	20,811	42,568
Nova Scotia Business Incorporated	28,230	23,140
Nova Scotia Film Development Corporation	3,155	2,864
Nova Scotia Innovation Corporation	5,220	5,776
Trade Centre Limited	13,158	11,352
Waterfront Development Corporation Limited	2,101	1,845
	72,675	87,545
Education		
Department of Education	208,644	191,290
Annapolis Valley Regional School Board	94,502	90,561
Cape Breton Victoria Regional School Board Trust Fund	---	---
Cape Breton Victoria Regional School Board	116,324	112,559
Chignecto-Central Regional School Board	144,963	137,926
College de l'Acadie	4,980	4,395
Conseil Scolaire Acadien Provincial	29,550	29,690
Halifax Regional School Board	304,615	294,287
Nova Scotia Community College	113,815	104,512
Nova Scotia Government Acadian Bursary Program Fund	---	---
P3 Schools Capital and Technology Refresh Fund	---	---
School Board Maintenance Stabilization Fund	13	---
Southwest Regional School Board	99,541	94,770
Strait Regional School Board	64,438	64,219
	1,181,385	1,124,209

Net Expenses (continued)

for the fiscal year ended March 31, 2003

($ thousands)

	2003	2002 (as restated)
Assistance to Universities	206,762	201,732
Environment and Labour		
Department of Environment and Labour	26,603	25,075
Nova Scotia Environmental Trust Fund	---	---
Resource Recovery Fund Board Incorporated	35,559	31,002
	62,162	56,077
Finance		
Department of Finance	13,413	12,389
Nova Scotia Government Fund Limited	272	629
	13,685	13,018
Health		
Department of Health	815,401	787,724
Annapolis Valley District Health Authority	69,864	66,880
Cape Breton District Health Authority	173,570	167,833
Capital District Health Authority	517,599	510,475
Colchester East Hants Health Authority	40,149	38,722
Cumberland Health Authority	34,510	30,717
Gaming Addiction Treatment Trust Fund	1,206	1,422
Guysborough Antigonish-Strait Health Authority	45,891	41,374
Insured Prescription Drug Plan	123,669	113,271
Izaak Walton Killam Health Centre	131,727	123,747
Nova Scotia Gaming Foundation	946	657
Nova Scotia Health Research Foundation	5,166	4,897
Pictou County Health Authority	45,027	40,606
Provincial Drug Distribution Program	57,004	51,923
South Shore District Health Authority	47,332	44,699
South West Nova District Health Authority	59,151	54,410
	2,168,212	2,079,357
Justice		
Department of Justice	75,880	74,314
CorFor Capital Repairs and Replacement Fund	---	---
Nova Scotia Legal Aid Commission	13,453	13,351
	89,333	87,665

Net Expenses (continued)

for the fiscal year ended March 31, 2003

($ thousands)

	2003	**2002** (as restated)
Natural Resources		
Department of Natural Resources	55,290	53,911
Acadia Coal Company Limited Fund	10	12
Coal Research Agreement Fund	150	454
Crown Land Mine Remediation Fund	---	---
Crown Land Silvaculture Fund	---	---
E 911 Cost Recovery Fund	3,247	1,885
Habitat Conservation Fund	84	---
Nova Scotia Gas Market Development Agreement Fund	---	---
Scotia Benefits Fund	---	---
Sustainable Forestry Fund	---	---
	58,781	56,262
Public Service	80,682	77,107
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Muncipal Relations	97,133	87,908
Nova Scotia Coordinate Referencing System Trust Fund	---	---
Nova Scotia Municipal Finance Corporation	915	723
	98,048	88,631
Tourism and Culture		
Department of Tourism and Culture	38,326	38,763
Art Gallery of Nova Scotia	3,628	3,193
	41,954	41,956
Transportation and Public Works	253,442	234,289
Restructuring Costs	(1,359)	65,396
Pension Valuation Adjustment	(152,318)	(244,804)
Loss on Disposal of Crown Assets	1,388	4,938

Net Expenses (continued)

for the fiscal year ended March 31, 2003

($ thousands)

	2003	*2002* (as restated)
Debt Servicing Costs		
Consolidated Fund	1,032,098	1,145,578
Annapolis Valley District Health Authority	229	327
Annapolis Valley Regional School Board	438	469
Cape Breton District Health Authority	641	639
Cape Breton Victoria Regional School Board	236	249
Capital District Health Authority	1,803	1,716
Chignecto-Central Regional School Board	938	1,017
Colchester East Hants Health Authority	125	129
College de l'Acadie	18	---
Conseil Scolaire Acadien Provincial	116	121
Cumberland Health Authority	118	113
Guysborough Antigonish-Strait Health Authority	252	241
Halifax Regional School Board	2,730	3,002
Izaak Walton Killam Health Centre	426	397
Nova Scotia Government Fund Limited	294	307
Nova Scotia Housing Development Corporation	30,931	30,610
Nova Scotia Legal Aid Commission	---	1
Nova Scotia Municipal Finance Corporation	6,847	11,721
Pictou County Health Authority	153	170
Resource Recovery Fund Board	26	---
South Shore District Health Authority	148	210
South West Nova District Health Authority	206	201
Southwest Regional School Board	320	333
Strait Regional School Board	251	279
Waterfront Development Corporation Limited	280	421
	1,079,624	1,198,251
Total Net Expenses	$ 5,980,691	$ 5,869,603

Loans and Investments

as at March 31, 2003

($ thousands)

	Loans and Investments	*Provision*	*Net 2003*	*Net 2002* (as restated)
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	$ 171,307	$ 8,459	$ 162,848	$ 164,724
Fisheries Development Act	69,321	2,011	67,310	59,663
Housing Development Act	41,814	20,259	21,555	18,240
Industrial Development Act	78,459	50,837	27,622	26,683
Venture Corporations Act	809	809	---	---
Loans to Municipalities:				
Funds provided by Government of Canada	---	---	---	64
Municipal Loan and Building Fund Act	1,001	---	1,001	1,209
Special Reserve Fund - Municipal Loan and Building Fund	4	---	4	6
Halifax-Dartmouth Bridge Commission	23,000	---	23,000	23,000
Miscellaneous	709	---	709	709
	386,424	82,375	304,049	294,298
Loans of Governmental Units:				
Nova Scotia Business Incorporated	168,966	51,503	117,463	119,904
Nova Scotia Innovation Corporation	310	---	310	494
Nova Scotia Municipal Finance Corporation	479,822	---	479,822	462,271
Other Government Units	119	---	119	74
	649,217	51,503	597,714	582,743
Total Loans	1,035,641	133,878	901,763	877,041
Investments of the Consolidated Fund:				
Housing Development Act	5,488	2,488	3,000	3,480
Industrial Development Act	15,895	9,702	6,193	7,279
	21,383	12,190	9,193	10,759
Investments of Governmental Units:				
Art Gallery of Nova Scotia	2,358	---	2,358	2,506
Insured Prescription Drug Plan	5,693	---	5,693	8,494
Nova Scotia Business Incorporated	12,056	4,839	7,217	8,893
Nova Scotia Innovation Corporation	9,541	---	9,541	10,763
Other Government Units	---	---	---	877
	29,648	4,839	24,809	31,533
Total Investments	51,031	17,029	34,002	42,292
Total Loans and Investments	$ 1,086,672	$ 150,907	$ 935,765	$ 919,333

Provision for possible guarantee payouts are included in the Provisions as follows ($000):

Industrial Development Act $566, Housing Development Act $13,524 and Nova Scotia Business Incorporated $2,596.

Schedule 4

Schedules to the Consolidated Financial Statements

Government Business Enterprises

as at March 31, 2003
($ thousands)

	2003							2002
	Halifax - Dartmouth Bridge Commission	*Highway 104 Western Alignment Corporation*	*Nova Scotia Gaming Corporation*	*Nova Scotia Liquor Corporation*	*Nova Scotia Resources Limited**	*Nova Scotia Resources Limited Adjustments*	*Total*	*(as restated)* *Total*
Cash	$ 9,713	$ 498	$ 25,746	$ 6,756	$ 2	$ —	$ 42,715	$ 54,297
Accounts Receivable	102	81	—	2,287	13,272	—	15,742	3,844
Inventory	—	8	3,087	26,815	—	—	29,910	21,986
Tangible Capital Assets	74,422	112,509	138,092	12,898	1,595	—	339,516	339,602
Other Assets	25,708	17,122	6,152	2,150	—	—	51,132	40,584
Total - Assets	109,945	130,218	173,077	50,906	14,869	—	479,015	460,313
Accounts Payable	1,154	665	2,226	29,150	1,246	248	34,689	35,559
Long-term Debt	123,000	82,096	122,289	7,736	—	—	335,121	331,553
Other Liabilities	3,974	50,748	48,562	14,020	11,832	—	129,136	121,365
Total - Liabilities	128,128	133,509	173,077	50,906	13,078	248	498,946	488,477
Equity (Deficit)	(18,183)	(3,291)	—	—	1,791	(248)	(19,931)	(28,164)
Total Liabilities Equity (Deficit)	$ 109,945	$ 130,218	$ 173,077	$ 50,906	$ 14,869	$ —	$ 479,015	$ 460,313
Revenue	$ 24,176	$ 14,274	$ 494,902	$ 412,380	$ 2,162	$ (2,162)	$ 945,732	$ 897,538
Expenses	10,031	5,042	312,943	252,506	1,734	(1,734)	580,522	559,680
Debt Servicing	7,449	8,377	8,977	2,008	—	—	26,811	28,960
Total - Expenses	17,480	13,419	321,920	254,514	1,734	(1,734)	607,333	588,640
Net Income (Loss)	$ 6,696	$ 855	$ 172,982	$ 157,866	$ 428	$ (428)	$ 338,399	$ 308,898

* Note: Nova Scotia Resources Limited was deemed a discontinued operation during fiscal 2000-2001

Government Business Enterprises (continued)

as at March 31, 2003

Halifax-Dartmouth Bridge Commission

The Commission is incorporated by Special Statute of the Province of Nova Scotia. The purpose of the Commission is to construct, maintain and operate bridges and the necessary approaches across the Halifax Harbour between the communities of Halifax and Dartmouth, and across the North West Arm. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity. The Commission's fiscal year end is December 31. At March 31, 2003, the Commission owed $23 million (2002 - $23 million) to the Province's Consolidated Fund for a revolving line of credit. The Commission records depreciation on bridge assets, buildings and electronic transponders using the straight-line method and uses the declining balance method for all other assets. Included in other assets at December 31, 2002 is a reserve fund in the amount of $20.8 million, (2001 - $15.0 million), $19.4 million (2001 - $13.6 million) of which is restricted for repayment of principal, interest and fees on Toll Revenue Bonds as established under the terms of the trust indenture.

Highway 104 Western Alignment Corporation

The Corporation has been established to finance, design, construct, operate and maintain a 45 km stretch of highway between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The Province of Nova Scotia retains ownership of the highway. The Corporation is granted the right to operate the highway and collect tolls for a 30 year period, pursuant to an agreement dated April 1, 1996, after which time the right will revert to the Province. In addition, the Corporation has entered into an operating agreement with the Province whereby compensation is based on the annual operating budget plus a variable fee. The Corporation's fiscal year end is March 31. The Corporation records depreciation using the sinking fund method. Restricted assets, consisting of short-term investments in the amount of $16.2 million (2002 - $12.8 million), are included in other assets. These reserve accounts were established in accordance with trust indenture agreements between the Corporation and bondholders.

The Province of Nova Scotia contributed $55.0 million toward the construction of the highway, one-half of which was recovered from the Federal Government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current year.

Nova Scotia Gaming Corporation

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Gaming Control Act of 1994-95. The purpose of the Corporation is to develop, undertake, conduct and manage casinos and other lottery business on behalf of the Province. The Corporation's fiscal year end is March 31.

The revenues of the Corporation are derived from the two casinos located in Halifax and Sydney and the Atlantic Lottery Corporation. The net balance owing to the Province at March 31, 2003 was $18.6 million (2002 - $14.0 million).

The Corporation is required to reimburse the Operator for approved development costs of the Halifax and Sydney casinos. The net present value of the remaing obligations for the casinos is approximately $76.4 million (2002 - $90.1 million

Government Business Enterprises (continued)

as at March 31, 2003

Unclaimed prizes are retained by the Corporation in a prize fund for one year from the announced beginning date of the draw. At March 31, 2003, this amounted to $6.7 million (2002 - $9.6 million).

Under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

The Corporation has agreed to an annual contribution of $1 million to the Department of Health to provide funds for programs related to problem gambling. The Corporation will provide up to $0.8 million (2003 - $0.8 million) in funds in fiscal 2003-2004 for the harness racing industry in Nova Scotia.

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statues of Nova Scotia, 1989. The Corporation operates retail sales locations across the province. Its fiscal year end is March 31. The net balance owing to the Province at March 31, 2003 was $9.9 million (2002 - $6.4 million).

Nova Scotia Resources Limited

The Company, a Provincial Crown Corporation, was established to invest in and manage the Province's participation in petroleum, mineral and energy related projects.

The Province has continued its plan to dispose of the business. During the year the Company sold certain assets for $4.1 million, resulting in a loss on disposal of $0.1 million (see Note 3 for details). At December 31, 2002, the Company owed the Province $0.4 million (2001 - $4.9 million). In addition, certain assets received by the Company as consideration on the disposal of assets were transferred to 3052155 Nova Scotia Limited, a Provincial Crown Corporation, at cost.

Sydney Steel Corporaiton

The Corporation, a Provincial Crown Corporation established by an Act of the Legislature, operated a steel mill in Sydney, Nova Scotia.

The Corporation's operations have been discontinued and work is underway to dismantle and sell the remaining assets, perform environmental clean-up and conduct development activities for future land use. As the Province has provided $17 million, or 52% of the Corporation's total revenue, to fund these activities during the fifteen months ending March 31, 2003, the Corporation is not self-sustaining and accordingly is reclassified to a governmental unit from a government business enterprise. The impact of the change in classification results in the operations of the Corporation being accounted for on a full consolidation basis, versus a modified equity basis, beginning this fiscal year. There is no impact on provincial surplus or accumulated deficits as a result of the reclassification.

Unmatured Debt

as at March 31, 2003

($ thousands)

	2003			2002 (as restated)
	Gross Debt	*Sinking Funds and Defeasance Assets*	*Net Debt*	*Net Debt*
Governmental Units				
Consolidated Fund	$ 14,222,760	$ 3,445,897	$ 10,776,863	$ 11,720,866
Nova Scotia Government Fund Limited	21,500	---	21,500	21,500
Nova Scotia Housing Development Corporation	320,013	---	320,013	328,054
Nova Scotia Municipal Finance Corporation	74,679	---	74,679	131,426
Nova Scotia Power Finance Corporation	1,140,790	1,140,790	---	---
Waterfront Development Corporation Limited	4,900	---	4,900	8,400
Other	325	---	325	1,024
Unmatured Debt of Governmental Units	15,784,967	4,586,687	11,198,280	12,211,270
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	123,000	19,354	103,646	109,400
Highway 104 Western Alignment Corporation	82,096	---	82,096	81,408
Nova Scotia Gaming Corporation	122,289	---	122,289	118,985
Nova Scotia Liquor Corporation	7,736	---	7,736	8,160
Unmatured Debt of Government Business Enterprises	335,121	19,354	315,767	317,953
Total Unmatured Debt	$ 16,120,088	$ 4,606,041	$ 11,514,047	$ 12,529,223

Notes:

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmatured debt of Governmental Units are shown on the Consolidated Statement of Financial Position with reference to this schedule. Debt of Government Business Enterprises is reflected in the Deficiency in Government Business Enterprises and in further detail in Schedule 4.

As at March 31, 2003, the Consolidated Fund held Sinking Funds and Public Debt Retirement Funds of $3,445.9 million. These funds were comprised of $2,916.8 million in Canadian assets and $529.1 million is US assets (US $365.7 million converted to CDN$ based on the underlying securities' effective foreign exchange rates). Total market value of both funds is $3,730.6 million at year end. During the year, contributions were $1,235.1 million, total earnings were $198.5 million and redemptions were $951.0 million.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts are included as part of the value of the sinking funds. As at March 31, 2003, the unamortized net premium was $90.7 million.

Unmatured Debt (continued)

as at March 31, 2003

($ thousands)

Assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 4.875% to 11.25% for Canadian funds and 6.375% to 9.25% for US funds. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over a 20 year period, unless the term of the issue is longer. At year end, the Province held $1,349.9 million of its own debentures (gross value of $1,392.5 million) in Sinking Funds and Public Debt Retirement Funds as active investments. These were comprised of $889.1 million in Canadian assets and $460.8 million is US assets.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Governments and utilities, Federal US bonds and coupons or residuals. The debt is shown net of defeasance assets on the Statement of Financial Position.

Payments are projected as follows:

	Governmental Units			*Government Business Enterprises*	*Total*
	Net Principal Repayments	*Sinking Fund Requirements*	*Total Commitment*		
2004	$ 1,013,875	$ 61,911	$ 1,075,786	$ 52,771	$ 1,128,557
2005	1,169,662	60,911	1,230,573	30,013	1,260,586
2006	1,194,065	60,911	1,254,976	28,578	1,283,554
2007	1,053,020	60,912	1,113,932	29,193	1,143,125
2008	619,695	60,911	680,606	17,416	698,022
2009 & thereafter	7,787,625	582,730	8,370,355	157,796	8,528,151
	$ 12,837,942	$ 888,286	$ 13,726,228	$ 315,767	$ 14,041,995

Net principal repayments is comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the Province has approximately $2,527.9 million in unrestricted sinking funds which can be used towards the retirement of any unmatured debt. Use of these funds is evaluated annually based on a detailed analysis of cash requirements.

Gross Long-term Debt

as at March 31, 2003
($ thousands)

	Foreign Exchange Rate	*CDN $ Amount*	*Maturity Dates*	*Interest Rates*
Governmental Units:				
		Debentures		
Consolidated Fund				
Consolidated Fund (CDN$)		$ 11,108,794	2003 to 2031	5.1% to 13.37%
Consolidated Fund (US $1,798,400)	1.4693	2,642,389	2004 to 2022	7.25% to 9.5%
Consolidated Fund (Yen 50,000,000)	0.0124	---	2004 to 2014	4.9% to 5.5%
Consolidated Fund (UK 35)	2.3203	---	2011 to 2019	11.75% to 16.75%
Nova Scotia Municipal Finance Corporation		74,679		
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN$)		700,000	2012 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US$ 300,000)	1.4693	440,790	2021	9.4%
Total - Debentures		14,966,652		
		Loans		
Consolidated Fund - Other Debt		2,582	2011	8.375%
Nova Scotia Government Fund Limited		21,500	indefinitely	1.0% to 2.075%
Nova Scotia Housing Development Corporation		320,013	2003 to 2034	4.0% to 21.5%
Waterfront Development Corporation Limited		4,900	Demand loan	bank prime less 0.95%
Other		211		
Total - Loans		349,206		
		Capital Leases		
Consolidated Fund		468,995	2003 to 2027	4.5% to 11%
Other		114		
Total - Capital Leases		469,109		
Total - Long-term Debt of Governmental Units		15,784,967		
Government Business Enterprises:				
		Debentures		
Halifax-Dartmouth Bridge Commission		100,000	2007	5.95%
Highway 104 Western Alignment Corporation		82,096	2011 to 2026	10.13% to 10.76%
		Loans		
Halifax-Dartmouth Bridge Commission		23,000	2007	floating (line of credit)
Nova Scotia Gaming Corporation		45,879	2007	floating (line of credit)

Gross Long-term Debt (continued)

as at March 31, 2003
($ thousands)

	CDN $ Amount	*Maturity Dates*	*Interest Rates*
	Capital Leases		
Nova Scotia Gaming Corporation	76,410	2005 to 2007	12%
Nova Scotia Liquor Corporation	7,736	2012	13.8%
Total - Long-term Debt of Government Business Enterprises	335,121		
Total Gross Long-term Debt	$ 16,120,088		

Call, Redemption and Other Features:

Candian debentures include the following redeemable issues:

- $1,079.4 million in CPP debentures which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada;
- $150 million, redeemable in whole or in part, on 30 days notice on July 3, 2005, or on any interest payment date thereafter, at the option of the Province;
- $150 million, redeemable in whole or in part, on 30 days notice on December 12, 2005, or on any interest payment date thereafter, at the option of the Province;
- $277 million in promissory notes, redeemable in whole but not in part, on the initial redemption date and on each redemption date thereafter, on 15 days notice, at the option of the Province.

Japanese Yen debentures include 15,000 million yen, redeemable in whole but not in part, on not less than 30 days notice nor more than 60 days notice on August 25, 2004 or on August 25, 2009. These debentures have been fully converted to Canadian equivalents via derivative instruments.

Interest rates shown for the Canadian and US debentures reflect the fixed rates only. There are debentures which have floating and step-up rates. Floating interest rates are adjusted on either a monthly or quarterly basis. Step-up rates are adjusted per the individual promissory note step-up schedules.

Housing Development Corporation

Mortgages and notes payable are secured by an assignment of mortgages receivable and investments in social housing.

Highway 104 Western Alignment Corporation

In relation to its senior toll bonds, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

In relation to its junior toll bonds, the Corporation has assigned a second charge security interest in all security pledged to the senior toll revenue bondholders.

Halifax-Dartmouth Bridge Commission

The Commission's toll bonds are secured by an assignment of revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission.

Tangible Capital Assets

as at March 31, 2003

($ thousands)

	2003									2002
	Land	*Buildings and Land Improve-ments*	*Machinery, Computers and Equipment*	*Ferries*	*Vehicles*	*Capital Leases*	*Roads, Bridges and Highways*	*Social Housing*	*Total*	*Total*
Cost of Tangible Capital Assets										
Opening Cost	$ 502,168	$ 1,881,178	$ 614,067	$ 9,241	$ 36,435	$ 519,636	$ 353,329	$ 386,166	$ 4,302,220	$ 4,015,293
Additions	12,769	133,879	72,784	41	7,377	3,312	77,503	—	307,665	327,054
Annual Adjustment to Social Housing	—	—	—	—	—	—	—	(9,564)	(9,564)	(9,007)
Disposals	(320)	(8,251)	(11,001)	—	(163)	(3,329)	—	(1,751)	(24,815)	(31,120)
Closing Cost	514,617	2,006,806	675,850	9,282	43,649	519,619	430,832	374,851	4,575,506	4,302,220
Accumulated Amortization										
Opening Accumulated Amortization	—	(792,481)	(420,297)	(8,570)	(23,050)	(69,299)	(177,864)	—	(1,491,561)	(1,341,373)
Disposals	—	2,875	12,991	—	(831)	2,681	—	—	17,716	18,195
Amortization Expense	—	(47,631)	(56,911)	(134)	(5,428)	(31,173)	(40,348)	—	(181,625)	(168,383)
Closing Accumulated Amortization	—	(837,237)	(464,217)	(8,704)	(29,309)	(97,791)	(218,212)	—	(1,655,470)	(1,491,561)
Net Book Value	$ 514,617	$ 1,169,569	$ 211,633	$ 578	$ 14,340	$ 421,828	$ 212,620	$ 374,851	$ 2,920,036	$ 2,810,659
Opening Balance	$ 502,168	$ 1,088,697	$ 193,770	$ 671	$ 13,385	$ 450,337	$ 175,465	$ 386,166	$ 2,810,659	$ 2,673,920
Closing Balance	514,617	1,169,569	211,633	578	14,340	421,828	212,620	374,851	2,920,036	2,810,659
Increase (Decrease) in Net Book Value	$ 12,449	$ 80,872	$ 17,863	$ (93)	$ 955	$ (28,509)	$ 37,155	$ (11,315)	$ 109,377	$ 136,739

Amortization is calculated on a declining balance basis for assets of the Consolidated Fund. The amortization percentages of the more common tangible capital assets are: building (5%); machinery, computers and equipment (20%-50%); ferries (20%); vehicles (30%); and roads, bridges & highways (5-30%). Capital leases are amortized on a straight-line basis over the length of each lease.

Amortization is generally calculated on a straight-line basis for assets of entities consolidated with the Consolidated Fund. The estimated useful lives of the more common tangible capital assets are: buildings (including leasehold improvements) and land improvements (2-50 years); machinery, computers and equipment (3-50 years); and vehicles (3 years). Capital leases are amortized on a straight-line basis, generally over a 5 to 20 year term.

Social Housing Assets relate to the Housing Development Corporation. This entity does not track accumulated amortization separately so the closing cost of these assets is the net carrying value of the assets. Social Housing assets are amortized using the sinking fund method.

Included in the closing cost of the various classes as of March 31, 2003, are costs for assets under construction which have not started to be amortized. These costs ($ thousands) include buildings - $68,744; machinery, computers and equipment - $16,608; ferries - $42; capital leases - $969; and roads, bridges & highways - $28,223.

Schedule 8

Direct Guarantees

as at March 31, 2003
($ thousands)

	Authorized	*Utilized*	
	2003	*2003*	*2002* (as restated)
Bank Loans:			
Nova Scotia Business Incorporated	$ 4,321	$ 4,301	$ 6,079
Industrial Development Act	111,766	102,866	87,135
Nova Scotia Fisheries and Aquaculture Loan Board	2,800	2,253	2,837
Nova Scotia Innovation Corporation	---	---	115
Department of Education - Student Loan Program	92,442	92,442	51,824
Total - Bank Loan Guarantees	211,329	201,862	147,990
Promissory Notes:			
Nova Scotia Resources Limited to Canada-Nova Scotia Offshore Petroleum Board	17,500	17,500	17,500
Total - Promissory Note Guarantees	17,500	17,500	17,500
Mortgages:			
Nova Scotia Housing Development Corporation Act	26,507	26,507	27,475
Nova Scotia Housing Development Corporation Act - CMHC Indemnities	171,741	171,741	178,473
Provincial Finance Act	448	448	550
Total - Mortgage Guarantees	198,696	198,696	206,498
Other Guarantees:			
Nova Scotia Government Fund	7,300	7,300	---
Sydney Steel Corporation - Performance bonds (Includes US$ component $122,228)	543	543	543
Trade Centre Limited	400	400	3,000
Total - Other Guarantees	8,243	8,243	3,543
Total - Direct Guarantees	$ 435,768	426,301	375,531
Less: Provision for Guarantee Payout:			
Industrial Development Act		(566)	(5,259)
Nova Scotia Business Incorporated		(2,596)	(3,509)
Department of Education - Student Loan Program		(19,900)	(16,000)
Nova Scotia Housing Development Act		(10,324)	(11,423)
Nova Scotia Resources Limited		(11,832)	(11,832)
		(45,218)	(48,023)
Net Direct Guarantees Not Provided for in these financial statements		$ 381,083	$ 327,508

Government Reporting Entity

as at March 31, 2003

Listed below are the governmental units, government business enterprises, government partnership arrangements, and government business partnership arrangements that are included in the government reporting entity.

Governmental Units

(Consolidation Method)

- Acadia Coal Company Limited Fund
- AgraPoint International Inc.
- AgriTECH Park Inc.
- Annapolis Valley District Health Authority
- Annapolis Valley Regional School Board
- Art Gallery of Nova Scotia
- Bioscience Enterprise Centre Incorporated
- Cape Breton District Health Authority
- Cape Breton Regional School Board Trust Fund
- Cape Breton Victoria Regional School Board
- Capital District Health Authority
- Check Inns Limited
- Chignecto-Central Regional School Board
- Coal Research Agreement Fund
- Colchester East Hants Health Authority
- College de l' Acadie (disposed January 2003)
- Conseil Scolaire Acadien Provincial
- Consolidated Fund (1)
- CorFor Capital Repairs and Replacements Fund
- Crown Land Mine Remediation Fund
- Crown Land Silvaculture Fund
- Cumberland Health Authority
- E911 Cost Recovery Fund
- Fisheries and Aquaculture Development Fund
- Gaming Addiction Treatment Trust Fund
- Guysborough Antigonish-Strait Health Authority
- Habitat Conservation Fund
- Halifax Regional School Board
- Industrial Expansion Fund
- Insured Prescription Drug Plan Trust Fund
- Izaak Walton Killam Health Centre
- Law Reform Commission
- Mainstream 1992 Fund
- Maintenance Stabilization Trust Fund (inactive)
- Muggah Creek Remediation Fund
- Nova Scotia Arts Council (inactive)
- Nova Scotia Blueberry Institute Fund
- Nova Scotia Business Incorporated
- Nova Scotia Community College
- Nova Scotia Coordinate Referencing System Trust Fund
- Nova Scotia Crop and Livestock Insurance Commission
- Nova Scotia Environmental Trust
- Nova Scotia Farm Loan Board
- Nova Scotia Film Development Corporation
- Nova Scotia Freedom of Information and Protection of Privacy Review Office
- Nova Scotia Gaming Foundation
- Nova Scotia Government Acadian Bursary Program Fund
- Nova Scotia Government Fund Limited
- Nova Scotia Harness Racing Incorporated
- Nova Scotia Health Research Foundation
- Nova Scotia Housing Development Corporation
    - Annapolis Valley Housing Authority
    - Cape Breton Island Housing Authority
    - Cobequid Housing Authority
    - Eastern Mainland Housing Authority
    - Metropolitan Regional Housing Authority
    - South Shore Housing Authority
    - Tri-County Housing Authority
- Nova Scotia Innovation Corporation
    - 1402998 Nova Scotia Limited
    - 3839966 Canada Limited (86% ownership)
- Nova Scotia Legal Aid Commission
- Nova Scotia Market Development Initiative Fund
- Nova Scotia Municipal Finance Corporation
- Nova Scotia Offshore Heritage Trust Fund
- Nova Scotia Police Commission
- Nova Scotia Power Finance Corporation
- Nova Scotia Primary Forest Products Marketing Board
- Nova Scotia Utility and Review Board

(1) - Includes all departments and public service units of the Nova Scotia Provincial Government.

Government Reporting Entity (continued)

as at March 31, 2003

Governmental Units (continued)

(Consolidation Method)

P3 Schools Capital and Technology Refresh Fund (2)
Pictou County Health Authority
Provincial Community Pastures Board (inactive)
Provincial Drug Distribution Program
Public Archives of Nova Scotia
Resource Recovery Fund Board Incorporated
    Novapet Inc (60.8% ownership)
Rockingham Terminal Incorporated (inactive)
Scotia Benefit Fund
Sherbrooke Restoration Commission
South Shore District Health Authority
South West Nova District Health Authority
Southwest Regional School Board
Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited
Sydney Steel Corporation
Sysco Decommissioning Fund
Tidal Power Limited (inactive)
Trade Centre Limited
    Maritime Fall Fair Association
Upper Clements Family Theme Park Limited
Waterfront Development Corporation Limited
3052155 Nova Scotia Limited

(2) This includes all refresh funds related to P3 schools.

Government Business Enterprises

(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Gaming Corporation
    Atlantic Lottery Corporation (25% ownership)
    Interprovincial Lottery Corporation (1 of 10 shares)
Nova Scotia Liquor Corporation
Nova Scotia Resources Limited (disposal in progress)
    Canadian Offshore Resources Exploration Limited
    Nova Scotia Resources Exploration Limited
    Nova Scotia Resources (U.S.) Limited
    Nova Scotia Resources (Ventures) Limited
    Ventures Exploration Program Limited Partnership
    Venwest Resources Limited
    1752135 Nova Scotia Limited
    1752148 Nova Scotia Limited

Government Partnership Arrangements

(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority (approximately 54% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
Canadian Blood Services (approximately 4% share)
Canadian Sports Centre Atlantic (approximately 5% share)
Council of Maritime Premiers (approximately 51% share)

PROVINCE OF NOVA SCOTIA
Notes to the Consolidated Financial Statements
March 31, 2003

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the Province's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

a) The Government Reporting Entity

The government reporting entity is comprised of the Consolidated Fund, other Governmental Units, Government Business Enterprises, Government Partnership Arrangements and Government Business Partnership Arrangements. This represents the entities which are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements.

Trusts administered by the Province are excluded from the reporting entity and are disclosed separately on the Statement of Financial Position for information purposes only.

b) Principles of Consolidation

A Governmental Unit is a government organization that is not a Government Business Enterprise. Governmental Units include government departments, public service votes, funds, agencies, service organizations, boards, government not-for-profit organizations and government business-type organizations. The accounts of Governmental Units are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(c), with the exception of Tangible Capital Assets. Significant inter-organization accounts and transactions are eliminated.

A Government Business Enterprise is a self-sustaining organization which has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. Government Business Enterprises have been accounted for on the modified equity basis which does not require any accounting policy adjustments. Their net equity is included in these consolidated financial statements in the Statement of Financial Position. Their net income and net loss are shown as separate line items in the Statement of Operations.

A Government Partnership is a contractual arrangement between the government and a party or parties outside the reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, government's interest in partnerships is accounted for using proportionate consolidation.

A Government Business Partnership is a government partnership that sells goods and services to individuals and organizations outside the partnership as its principal activity, and has been delegated the financial and operational authority to carry on a business. Where significant, government's interest in a business partnership is accounted for on the proportionate modified equity basis.

A complete listing of the organizations within the Government Reporting Entity is provided in Schedule 9.

Financial results from fiscal year end to March 31, 2003, for Government Business Enterprises whose fiscal year ends are not March 31, were not significant to these consolidated financial statements so they have not been adjusted. Other adjustments have been made, as noted on Schedule 4, regarding Nova Scotia Resources Limited.

c) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest, various taxes and legislated levies. Revenues from Personal and Corporate Income Taxes, Harmonized Sales Taxes, Federal Equalization payments and the Canada Health and Social Transfers (CHST) are accrued in the year earned based upon estimates using statistical models. These federal revenues are recorded at the net amount estimated, after considering adjustments for tax credits and administrative costs related to the collection and processing performed by the federal government.

Net Expenses

Net expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year by the Consolidated Fund. Net expenses include recoveries and fees which are directly related to the expenses and are not normally considered to be revenues. Recoveries and fees may include insignificant amounts from Governmental Units. Gross expenses, before the impact of recoveries, are reported in Note 9 - Net Expenses By Object. Grants are recognized in the period during which both payment is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-term Investments are recorded at cost which approximates market value. Investments normally include R-1 (low to high) rated Federal and Provincial Government Bills or Promissory Notes, Bankers' Acceptance, term deposits and commercial paper with fixed interest rates averaging 3.0% at year end and are generally for terms of 1 to 90 days.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an Investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-term Borrowings on average are generally for less than 180 days and are recorded at cost which approximates market value. Short-term Borrowings had a weighted average interest rate of 2.92% at year end on CDN dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds.

Sinking Fund and Public Debt Retirement Fund objectives are to manage short-term liquidity, to manage interest rate and currency exposure and to assist in the orderly refunding of maturing debt while maximizing the long-term investment return to the Province. Sinking fund payments usually commence on the first anniversary date of the issue and are generally designed to retire the debt over a 20 year period or the term of the issue. Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Sinking funds for US currency debentures are invested in US dollars denominated investments. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and instalments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, accrued interest thereon, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary issue.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related investment. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances and serial retirements are charged to debt servicing costs. Amortization and realized foreign exchange gains and losses relating to sinking fund balances and instalments are netted against sinking fund earnings.

Pension, Retirement and Other Obligations include various employee benefits. For purposes of these consolidated financial statements, the Province's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Province's best estimates of performance over the long-term. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five year period. The Public Service Superannuation Plan, Teacher's Pension Plan, Sydney Steel Corporation Pension Fund and the Long-term Disability Plan have separate funds. The Province also maintains accounts within the Consolidated Fund for other pension and retirement obligations as described in Note 6. Pension expense includes the value of pension benefits earned in the period and the amortization of experience gains and losses. Related interest is charged or credited to debt servicing costs. Other obligations include self-insured workers' compensation and long-term disability benefits. These amounts are assessed annually at March 31 and any adjustments are charged or credited to expenses.

Net Direct Debt

Net Direct Debt represents the direct liabilities of the Province less financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible Capital Assets include land, buildings, major equipment, computer equipment and software, vehicles, ferries, roads, highways, and bridges. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations. All entities, with the exception of the Consolidated Fund which continues to expense Inventories of Supplies in the year purchased, record inventory at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and Inventories of Supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represents the direct liabilities of the Province less financial assets, non-financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. This represents the accumulated balance of net deficits arising from the operations of the Province.

d) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations and federal source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, Federal Equalization payments and CHST arises because of the possible differences between the estimated and actual economic growth assumptions used in statistical models by the Province to accrue these revenues.

2. ACCOUNTING CHANGES

Certain accounting policy changes and corrections were made during the year which have increased (decreased) the Provincial Surplus, on an expense basis, Net Direct Debt and Accumulated Deficits as follows ($ millions):

	2002-03			2001-02		
Accounting Changes ($ millions)	**Provincial Surplus, on an expense basis**	**Net Direct Debt (April 1, 2002)**	**Accumulated Deficits (April 1, 2002)**	**Provincial Surplus, on an expense basis**	**Net Direct Debt (April 1, 2001)**	**Accumulated Deficits (April 1, 2001)**
a) Pension Plan Assets	$56.7	$153.8	$153.8	$(71.1)	$82.7	$82.7
b) Valuation Allowance	130.2	(70.3)	(70.3)	256.9	186.6	186.6
c) Other Benefit Plans	(34.3)	493.0	493.0	(29.5)	463.5	463.5
d) Inventories of Supplies	0.2	-	(15.5)	0.8	-	(14.7)
e) Prepaid Expenses	-	8.9	-	-	6.3	-
f) Special Purpose Funds	1.6	(5.0)	(5.0)	(0.6)	(5.6)	(5.6)
g) Nova Scotia Health Research Foundation	-	(2.9)	(2.9)	0.4	(2.5)	(2.5)
h) Infrastructure Funding	(1.7)	(10.6)	(10.6)	10.6	-	-
Total effect of Accounting Changes	**$152.7**	**$566.9**	**$542.5**	**$167.5**	**$731.0**	**$710.0**

a) **Pension Plan Assets**

A policy change was made to record pension fund assets at market related value rather than at fair market value at the end of each fiscal year. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five year period.

b) **Valuation Allowance**

To become compliant with generally accepted accounting principles, the Province implemented a valuation allowance for the accounting treatment of funded plans in a surplus position. This applies to the Public Service Superannuation Plan. Previously, the Province recognized 50% of the surplus and 50% of the related expense. With the accounting policy change, the carrying value of the surplus is reduced by the amount of the valuation allowance, and the change in valuation allowance is recognized in the current year expense.

c) **Other Benefit Plans**

A policy change was made to record the retirement health benefits provided to pensioners, to comply with recent CICA and PSAB changes. Benefits and interest on the obligation are recognized as earned. Experience gains and losses are amortized over the estimated average remaining service life. Previously, the Province recorded its share of premiums as expenses, and included the obligation as a commitment.

d) **Inventories of Supplies**

A policy change was made during the year to recognize inventory held for consumption or use by the Province in the course of its operations, with the exception of Inventories of Supplies held by the Consolidated Fund. In the prior year Inventories of Supplies were expensed in the year purchased. The Consolidated Fund is in the process of implementing an inventory system which will enable it to track and recognize Inventories of Supplies in the financial statements in the near term.

e) **Prepaid Expenses**

A policy change was made during the year to reclassify Prepaid Expenses from Accounts Receivable and Advances to a separate caption on the Statement of Financial Position.

f) **Special Purpose Funds**

During the year an evaluation was performed using the evolving PSAB recommendations on indicators to assess in determining whether an entity is part of Government Reporting Entity. As a result of this evaluation, twenty special purpose funds where added to the Province's Government Reporting Entity.

g) **Nova Scotia Health Research Foundation**

During the year corrections were made by the Nova Scotia Health Research Foundation for unrecorded revenue of $2.5 million for 2000-01and overstated accounts payable and accrued liabilities of $0.4 million for 2001-02. The corrections were adjusted on a retroactive basis.

h) **Infrastructure funding**

During the year corrections were made to the method of determining funding receivable or payable for infrastructure payments. Amounts recognized in the financial statements are based on actual work completed to date versus total approved project costs.

3. UNUSUAL ITEMS

The Unusual Items disclosed on the Statement of Operations represent accounting provisions established or adjusted for the sale of certain assets from discontinued operations and infrequent events or transactions not in the normal course of activities of the Province.

The provisions are comprised of the following :

	2003	2002
	($ millions)	
Nova Scotia Resources Limited		
Proceeds on sale of assets	$ 3.3	$ 22.5
Net book value of assets	(3.4)	7.1
Interest and revenue adjustments	0.8	0.2
Costs related to sale	(0.5)	1.0
Other earnings (loss) on operations	(0.3)	—
Forfeiture of deposit on share sale agreement	1.4	—
	1.3	30.8
Nova Scotia Innovation Corporation		
Loss on non-controlling interest of a subsidiary	(0.4)	—
Gain on disposal of assets	—	0.2
	(0.4)	0.2
Total Unusual Items - Net Gain	$ 0.9	$ 31.0

Nova Scotia Resources Limited (NSRL)

Most of the Company's assets were sold during 2000-01 for proceeds of $355 million. The Company continues to sell less significant assets. The gain (loss) from the sale of assets of NSRL, net of related costs, is included as an Unusual Item on the Statement of Operations for purposes of the 2001-02 and 2002-03 financial statements. Also included as an Unusual Item in 2002-03 is $1.4 million in deposits relating to sale agreements for the shares of NSRL. The buyer did not close the sale agreements, therefore entitling the Province to retain the deposits.

During the year, the Province continued its search for potential buyers of the shares or assets of NSRL. See Note 13 Subsequent Events for related information.

Nova Scotia Innovation Corporation

During the year, the Company increased its ownership in The Decision Point from 80% to 86%. As a result of changes in the capital structure of this subsidiary, a new shareholders' agreement was signed which does not require a guarantee or obligation from the non-controlling shareholders for their share of losses incurred by this subsidiary. Accordingly, the portion of accumulated losses attributable to the non-controlling interest to the date of the new shareholders' agreement has been written off by the Company and reported as an Unusual Item in the Statement of Operations.

In 2001-02 the Company disposed of its Environmental Simulation Lab division and the assets of its wholly owned subsidiary, Nova Magnetics Limited. The total net gain on these discontinued operations is included as an Unusual Item in the Statement of Operations for purposes of the 2001-02 financial statements.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at March 31, 2003, restricted cash and short-term investments of $60.7 million ($46.5 million as at March 31, 2002) have been designated for restricted purposes by parties external to the Province. Restricted cash includes $31.9 million for future housing expenditures from the Nova Scotia Housing Development Corporation; $11.1 million for gas market development from the Nova Scotia Gas Market Development Agreement; and $17.7 million restricted for various other purposes.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Foreign currency contracts are used to convert the liability for foreign currency borrowing and associated costs into Canadian or US dollars. Interest rate contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating. Foreign exchange contracts include forward and future contracts, swap agreements and options. Interest rate contracts include forward rate agreements, future contracts, swap agreements and options on swaps, and deferred rate setting agreements.

The Province's credit policy is that it only executes derivative transactions with well rated counter parties. All counter parties are rated equal to or better than the Province.

The Province has executed the following swap contracts/forward agreements to convert certain interest payments from a fixed to floating, floating to fixed, floating to floating or fixed to fixed basis for the fiscal year ended March 31, 2003:

# of Swaps	*Currency*	*Notional Principal*	*Term Remaining*	*Mark to Market **
		($ thousands)	*(years)*	*($ millions)*
116	CDN$	1,708,349	1 to 21	-21.6
12	US$	1,332,597	1 to 19	200.4
3	UK	143,250	1	5
2	Euro	90,000	5 to 7	13.6
4	Yen	50,000,000	1	10.4

* Mark to Market is an indication of the swap's market value as at March 31, 2003. This represents the estimated realizable gain and is equivalent to the present value of future interest savings based on market conditions as at March 31, 2003. The mark to market values of the currency swaps are reflected in the amounts shown under interest rate swaps.

The Province has also executed several currency swap contracts /forward agreements to convert foreign denominated debt into Canadian or US denominated debt as follows:

Termination Date	***Original Currency***	***Original Principal***	***Current Currency***	***Current Principal***
		($ thousands)		*($ thousands)*
SWAPS:				
April 19, 2004	UK	60,000	US$	98,736
April 30, 2004	UK	23,250	US$	38,261
February 27, 2012	US$	500,000	CDN$	795,000
March 15, 2016	US$	150,000	CDN$	205,725
March 1, 2020	US$	300,000	CDN$	409,200
April 1, 2022	US$	182,597	CDN$	247,967
December 28, 2007	Euro	40,000	CDN$	56,120
February 24, 2010	Euro	50,000	CDN$	72,235
FORWARDS:				
April 25, 2004	YEN	10,000,000	CDN$	133,923
April 25, 2004	YEN	10,000,000	CDN$	133,958
April 25, 2004	YEN	15,000,000	CDN$	201,072
April 25, 2004	YEN	15,000,000	CDN$	199,442

The Province has entered 17 forward agreements to convert future interest payments on foreign debt into Canadian dollars as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*
		($ thousands)		*($ thousands)*
May 1, 2003 to November 17, 2003	US$	83,130	CDN$	125,708

6. PENSION, RETIREMENT AND OTHER OBLIGATIONS

a) Description of Obligations

The Province offers a variety of pension, other retirement, post-employment and special termination benefits. The Province is responsible for adequately funding the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs. The significant plans are detailed as follows:

i) Pension Benefit Plans

The Province has two main funded pension plans, the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans, with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

The Province also has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

ii) Other Retirement Benefit Plans

The Province offers two significant other defined benefit retirement plans namely; Public Service Awards and other retirement allowance arrangements, as well as retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for Public Service Awards and other retirement allowances are based on the employee's length of service and rate of pay. Health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65% and 100% of the cost of health plan benefits for the PSSP and TPP retirees respectively.

iii) Post-Employment Benefits

The Province offers two significant post-employment benefit plans: Self-Insured Workers' Compensation (WC) and Long-Term Disability (LTD).

Any approved claims from injured workers are paid by the Province for WC benefits. The amount recorded in these financial statements represents the actuarial estimate of future payments based on claims ongoing at year end.

The Province participates with the Nova Scotia Government Employees Union in the administration of the Nova Scotia Public Service Long-Term Disability Plan Trust Fund. The Fund provides benefits to those workers approved for long-term disability leave. Other LTD plans are accounted for on the cash basis and are not yet actuarially valued.

iv) Special Termination Benefits

The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits are accrued in the year the employee accepts the early retirement option. Funding of these benefits comes from ongoing operations and not pension plan assets.

b) Summary of Activity in Benefit Plans

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
Projected benefit obligation, beginning of year	$7,041,969	$6,291,001	$1,039,912	$1,131,445
Current benefit cost	168,072	156,671	27,830	28,221
Interest cost	561,293	537,791	63,879	69,823
Actuarial (gains) losses	56,646	461,841	61,346	(82,619)
Benefit payments	(423,829)	(409,554)	(70,099)	(106,958)
Employee contributions	3,741	2,980	-	-
Plan amendment	-	1,239	-	-
Projected benefit obligation, end of year	7,407,892	7,041,969	1,122,868	1,039,912
Market related value of plan assets, beginning of year (Market Value - $6.6 billion; 2002 - $6.6 billion)	6,978,870	6,589,687	-	-
Expected return on plan assets	560,023	528,724	-	-
Actuarial gains (losses)	(349,895)	50,690	-	-
Benefit payments	(423,829)	(409,554)	(70,099)	(106,958)
Employer contribution	135,661	125,120	70,099	106,958
Employee contributions	98,164	94,203	-	-
Market related value of plan assets, end of year (Market Value - $5.78 billion; 2002 - $6.6 billion)	6,998,994	6,978,870	-	-
Funded status, end of year	(408,898)	(63,099)	(1,122,868)	(1,039,912)
Unamortized net actuarial (gains) losses	209,386	(205,665)	(4,580)	(51,247)
Valuation allowance	-	(132,169)	-	-
Accrued benefit asset (liability), end of year	($199,512)	($400,933)	($1,127,448)	($1,091,159)

The PSSP, which is included in Pension Benefits, has plans assets for accounting purposes that exceed the projected benefit obligations at March 31, 2003. The projected benefit obligations were $3.0 billion (2002 - $2.8 billion) and market related value of plan assets was $3.1 billion (2002 - $3.1 billion). The remaining benefit plans have projected benefit obligations in excess of plan assets for accounting purposes or are unfunded.

The net unamortized actuarial gains (losses) will be amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 6 years to 15 years (weighted-average EARSL is 14 years).

c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Long-term inflation rates	3.0%	3.0%	3.0%	3.0%
Expected real rate of return on plan assets	5.0%	5.0%	-	-
Rate of compensation increase	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit
Discount rate	8.15%	8.15%	6.17%	7.05%

Other assumptions used were:

11% annual rate increase in the cost per person of covered healthcare benefits for 2003, decreasing at 1% per annum to an ultimate rate of 5.0% per annum

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2001 with the exception of certain other retirement benefit plans which were performed on December 31, 2002 and the post-employment benefit plans which are performed annually at March 31.

d) Net Benefit Plans (Recovery) Expense

The table below shows the components of the net benefit plans expense (recovery).

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Current benefit cost	$168,072	$156,671	$27,830	$28,221
Employee contributions	(94,423)	(91,223)	-	-
Expected return on plan assets	(560,023)	(528,724)	-	-
Plan amendments	-	1,239	-	-
Amortization of net actuarial (gains) losses	(8,150)	(39,712)	8,821	(10,352)
Decrease in valuation allowance	(132,169)	(162,464)	-	-
Interest Cost	561,293	537,791	63,879	69,823
Net benefit plans (recovery) expense	($65,400)	($126,422)	$100,530	$87,692

7. TRUST FUNDS UNDER ADMINISTRATION

Trust funds assets administered by the Province (before giving consideration to actuarial adjustments) are:

	2003	2002 (as restated)
	($ thousands)	
Public Service Superannuation Fund (1)	$ 2,555,530	$ 2,947,041
Nova Scotia Teachers' Pension Fund (1), (4)	3,350,712	3,598,718
Workers' Compensation Board (1), (4)	780,802	729,641
Sydney Steel Corporation Superannuation Plan (1), (2)	16,858	39,323
Nova Scotia Public Service Long Term Disability Plan (1), (4)	27,602	28,271
Nova Scotia Credit Union Deposit Insurance Corporation (1), (4)	12,152	11,088
Public Trustee (1)	24,283	23,302
Miscellaneous Trusts (3)	36,495	33,842
	$ 6,804,434	$ 7,411,226

(1) See Public Accounts Volume II for full financial statements of these funds.
(2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during fiscal 2000-2001.
(3) Miscellaneous trusts include a large number of relatively small funds.
(4) These represent trusts with December 31 year ends. Trust assets balances at March 31 did not differ significantly.

8. FEDERAL TAX COLLECTION AGREEMENT ERROR

In early 2002, the Canada Customs and Revenue Agency (CCRA) disclosed that it had recently discovered that provincial Personal Income Tax (PIT) payments to provinces that are members of the Tax Collection Agreements had been overpaid for several years. The overpayments were a result of an error in the payments recording processes at CCRA in which the capital gains refunds to mutual fund trusts were not deducted from provincial payments. This overstated the payments to provinces that had mutual fund trust amounts allocated to them. For Nova Scotia, the overpaid amounts were relatively minor. However, for some provinces with large mutual fund trust bases, the overpayments were substantial.

Provincial PIT overpayments could have potentially impacted the provinces' results in prior years through federal transfer payments because PIT is one of 33 tax bases used to determine Equalization payments. However, the federal government has opted to protect equalization receiving provinces from any negative impacts resulting from the recovery of overpayments in an effort to provide comparable benefits to the provinces that received the overpayments. The federal government will change the measurement of fiscal capacity in the Equalization Program to accurately reflect the correction of the error. This change was in place in 2001-02 and the Province had recognized the potential liability through a negative $35 million adjustment for the impact on Equalization.

Further information surrounding the federal treatment of this error has eliminated this risk associated with this error. Therefore, the $35 million adjustment set up in 2001-02 has been reversed in 2002-03.

9. NET EXPENSES BY OBJECT

	2003	2002 (as restated)
	($ thousands)	
Grant and Subsidies	$ 1,916,469	$ 1,852,586
Salaries and Employee Benefits	2,023,069	1,905,343
Operating Goods and Services	1,261,776	1,167,986
Professional Services	185,733	173,729
Amortization and Social Housing Adjustment	191,189	177,390
Debt Servicing Costs	1,079,624	1,198,250
Other	3,510	7,729
Less: Chargeables	(375,495)	(312,656)
Less: Recoveries	(305,184)	(300,754)
Total Net Expenses	$ 5,980,691	$ 5,869,603

10. DEBT SERVICING COSTS

	2003	2002 (as restated)
	($ thousands)	
CDN$ Denominated Debt	$ 698,597	$ 685,692
US$ Denominated Debt	225,076	271,914
Other Foreign Currency Denominated Debt	33,331	31,411
Pension Liabilities	65,149	77,722
Capital Leases	28,678	27,935
Other Debt	37,262	53,460
Premium / Discount Amortization	(3,478)	(6,237)
Foreign Exchange	(6,242)	55,355
Miscellaneous	1,251	999
Total Debt Servicing Costs	$ 1,079,624	$ 1,198,251

Debt servicing costs for Government Business Enterprises was $26.8 million for the year ended March 31, 2003 ($29.0 million for the year ended March 31, 2002).

11. CASH FLOW - NET CHANGE IN OTHER ITEMS

	2003	2002 (as restated)
	($ thousands)	
Change in Receivables from Government Business Enterprises	$ 8,832	$ (2,834)
Change in Receivables and Advances	(8,955)	570,869
Change in Accounts Payable and Other Short-term Borrowings	157,680	(998,060)
Change in Inventory for Resale	(173)	(971)
Change in Inventory of Supplies	(259)	-
Change in Deferred Revenue	6,923	4,587
Change in Accrued Interest	(23,273)	4,433
Change in Pension, Retirement and Other Obligations	(165,133)	(270,033)
Total Net Change in Other Items	$ (24,358)	$ (692,009)

12. CONTINGENCIES AND COMMITMENTS

a) Contingent Liabilities

i) Environmental Sites

Various provincially owned sites throughout the Province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of the damage and to develop a remediation plan. With the exception of sites noted in the following paragraph, remediation costs for these sites are not determinable as at March 31, 2003 and no further provisions for these costs have been recorded in these financial statements.

Engineering and environmental studies have generated initial estimates for the cost of remediation of the Sydney Steel Corporation and adjacent sites as well as the Sydney Tar Ponds site. As a result, the Province recorded liabilities of $250.0 million and $68.5 million respectively, in 1999-2000 for environmental site clean up. Of these provisions, $230.2 million (2001-02 - $245.5 million) and $50.0 million (2001-02 - $53.5 million), respectively, remain unspent.

ii) Lawsuits

The Province's losses for any lawsuits pending cannot be determined due to uncertainty of the trial outcomes.

iii) Other Contingent Liabilities

The Province also has contingent liabilities in the form of indemnities. The Province's potential liability, if any, cannot be determined at this time.

b) Contingent Gains

The Province of Nova Scotia may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

c) Commitments

i) Commitments

Commitments total $403.2 million; comprised of $280.1 million for Consolidated Fund, $118.6 million for other Governmental Units and $4.5 million for Government Business Enterprises. Included are commitments of $76.1 million by Nova Scotia Business Incorporated for projects approved under its various programs and $66.8 million by the Department of Health for information technology and new facilities. Also included is $49.1 million by the Department of Service Nova Scotia and Municipal Relations for the Canada-NS Infrastructure Program Agreement.

In addition to the commitments noted above, in 1992 the Department of Justice entered into a 20-year contract with the RCMP for policing services, including services paid by the municipalities under the Service Exchange Agreement. Costs are negotiated each year based on required policing services. The net estimated expense for the Province for 2003-04 is $16.7 million.

ii) Leases

As at March 31, 2003, the Province was committed under various operating leases. Future minimum annual lease payments are as follows:

Fiscal Year	Lease Payments ($ thousands)
2003 - 2004	$ 42,353
2004 - 2005	34,535
2005 - 2006	27,987
2006 - 2007	23,224
2007 - 2008	17,891
2009 - 2013	23,744
2014 - 2018	15,760
2019 - 2023	5,374
	$ 190,868

13. SUBSEQUENT EVENTS

a) Income Tax Rate Reduction

The Financial Measures (2003) Act, receiving Royal Assent on May 22, 2003, provides for an immediate one-time taxpayer refund of $69.4 million and a 10% income tax rate reduction commencing January 1, 2004. The income tax rate reduction is estimated to reduce personal income tax revenues by $36.7 million in 2003-04 and $147 million per year thereafter.

b) Disposal of Assets Held for Sale

On May 14, 2003 the Province announced it had accepted two cash bids totaling $5.8 million for the sale of the remaining assets of Nova Scotia Resources Limited to Pengrowth Corporation and Shell Canada Limited. Pengrowth purchased NSRL's interests in all significant discovery licenses, except one, for consideration of $4.5 million and a 10% net profits interest to the Province. Shell Canada purchased NSRL's interest in the remaining license, covering Deep Cohasset, for consideration of $1.3 million. The Pengrowth and Shell Canada purchase and sale agreements closed on June 27, 2003 and July 29, 2003, respectively.

On October 23, 2003 the Province sold its shares in Nova Scotia Resources Limited for $1.6 million.

The gain on disposal of these assets will be recognized in 2003-04.

c) Hurricane Juan

The Province of Nova Scotia sustained significant damage as a result of Hurricane Juan making landfall on September 29, 2003. The Province has announced a Disaster Financial Assistance Arrangement for municipalities, individuals and small businesses who incurred uninsurable losses from the effects of Hurricane Juan. The cost of this arrangement and other hurricane related repairs to property owned by the Province are not presently known.

d) Sinking Fund Instalments

Effective April 1, 2003, the Province will make Sinking Fund instalments only in accordance with bond covenants.

14. COMPARATIVE FIGURES

To conform with the current year's presentation, certain comparative figures for the prior year have been restated as follows:

a) Accounting Changes

As described in Note 2, there have been some retroactive restatements of figures in accordance with the newly adopted accounting policies and corrections.

b) Presentation

Certain of the prior year's numbers have been restated to conform to the presentation format adopted in the current year.

15. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are immaterial transactions with various provincial crown corporations, agencies, boards and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the Consolidated Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in Schedule 4 - Government Business Enterprises.

Financial Highlights

Nova Scotia

Message from the Minister of Finance

I am pleased to report that a surplus has been recorded in the Province of Nova Scotia's 2002-2003 Financial Statements.

It takes discipline, hard work and sound financial policies to manage a fiscal plan. Nova Scotians supported the difficult choices that had to be made in order to move from a deficit to a surplus position.

Our efforts paid off, as the audited surplus for fiscal 2002-2003 is $31.6 million.

In 2002, the Nova Scotia economy continued to grow despite the overall global economic slowdown. Nova Scotia's GDP growth rate was 3.8 per cent, compared to Canada's 3.3 per cent rate of growth.

Provincial own-source revenues increased, signaling greater self-sufficiency. Federal revenue sources, however, declined.

The province achieved its target of reducing foreign exchange exposure to less than 20 per cent, a full 18 months ahead of schedule.

Nova Scotia implemented an accounting change, in compliance with generally accepted accounting principles, completing a four-year program towards greater transparency and accountability in its financial reporting.

The Nova Scotia government will continue to carry out a fiscal plan of prudent and responsible management.

Honourable Peter G. Christie
Minister

Selected Financial Highlights

Budgetary Summary

($ millions)

ACTUAL *2001-2002* *(as restated)*		***ESTIMATE*** *2002-2003* *(as restated)*	***ACTUAL*** *2002-2003*
	Consolidated Fund		
5,240.1	Ordinary Revenue	**5,331.8**	**5,289.7**
	Net Expenses		
4,461.6	Net Program Expenses	4,512.7	4,567.5
968.4	Net Debt Servicing Costs	890.3	846.8
(242.3)	Pension Valuation Adjustment	(50.0)	(150.0)
5,187.7		**5,353.0**	**5,264.3**
52.4		**(21.2)**	**25.4**
	Consolidation and Accounting Adjustments for the Consolidated Fund and Governmental Units		
1,639.8	Consolidated Fund Consolidation Adjustments	—	1,681.4
(1,141.3)	Health and Hospital Boards Operations	—	(1,217.6)
(709.3)	School Boards Operations	—	(740.6)
(68.3)	Other Organizations	—	(56.3)
(279.1)		**—**	**(333.1)**
	Net Income (Losses) for Government Business Enterprises		
308.9	Other Enterprises	22.5	338.4
308.9		**22.5**	**338.4**
82.2	**Provincial Surplus (Deficit) before Unusual Items**	**1.3**	**30.7**
	Unusual Items		
0.2	Nova Scotia Innovation Corporation	—	(0.4)
30.8	Nova Scotia Resources Limited	—	1.3
31.0		**—**	**0.9**
113.2	**Provincial Surplus (Deficit)**	**1.3**	**31.6**

Note: In order to better reflect the actual costs of servicing the Province's debt, the reporting of interest revenues, which were formerly netted against certain interest expenses in the Debt Servicing Costs appropriation, was changed in the 2001-2002 Public Accounts. Interest Revenues have been restated to include Short-Term Interest revenue, which was formerly netted against General Interest expenses in the Debt Servicing Costs appropriation. Also, the Public Debt Retirement Fund Earnings, which were formerly netted against the Debt Servicing Costs appropriation, have been included under Sinking Fund Earnings. As a result, the Estimate for fiscal 2002-2003 has been restated to reflect these changes in reporting.

Significant Accounting Policy Issues

Introduction

The Province of Nova Scotia recognizes that its primary financial accountability document is the annual financial statements. These statements are prepared following generally accepted accounting principles to ensure full and open disclosure of the Province's financial position and results of operations.

The Standard

The recommendations and guidelines of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB), supplemented where appropriate, by other CICA accounting standards and guidelines, provide an authoritative foundation for the Province of Nova Scotia as it relates to what constitutes appropriate accounting for and disclosure of the Province's financial position and results of operations. PSAB's recommendations have, to a significant extent, been adopted by governments across Canada.

Key Items for the 2002-2003 Financial Statements

Accounting Changes

Certain accounting policy changes and corrections were made during the year which have increased or decreased the provincial surplus, on an expense basis, the net direct debt and accumulated deficits. These changes were made for enhanced compliance with new or existing generally accepted accounting principles or to correct certain expenses to date. The change in valuation of pension plan assets using market related value is a discretionary change within the allowable methods under generally accepted accounting principles. Details on the nature and impacts of these changes are included in Note 2 of the Consolidated Financial Statements.

Federal Revenue Adjustments

During the year there were significant federal revenue adjustments. Further information surrounding the federal tax collection agreement error, which reduced revenues in fiscal 2001-2002 by $35.0 million, has eliminated the risk associated with this error. Therefore, the $35.0 million adjustment has been reversed in fiscal 2002-2003.

Also, the recent census results have been factored into the federal transfers formulae and have produced a reduction to revenues totaling $126.9 million in respect of the last three fiscal years. The federal government has indicated that they expect the overpayments to each province will be repaid. Therefore, the Province has recorded the reduction in revenues in fiscal 2002-2003.

Special Purpose Funds

A review of special purpose funds was performed in the year and all balances were consolidated into these financial statements. It is important to note that the net consolidation impact of each fund has been listed under the heading of the related department in Schedule 2, Net Expenses in the Consolidated Financial Statements. Each department is responsible to incorporate the financial impacts of their assigned funds into their budgets accordingly.

Revenues - Consolidated Fund

($ thousands)

REVENUE SOURCES	***ACTUAL*** *2001-2002 (as restated)*	***ESTIMATE*** *2002-2003 (as restated)*	***ACTUAL*** *2002-2003*	***VARIANCE*** *Increase (Decrease)*
Provincial Sources				
Personal Income Tax	1,274,481	1,315,144	1,353,675	38,531
Corporate Income Tax	194,439	183,632	204,950	21,318
Harmonized Sales Tax	852,797	888,917	905,120	16,203
Tobacco Tax	105,751	138,508	145,425	6,917
Motive Fuel Taxes	207,951	239,350	246,283	6,933
Gaming Corporation Profits	174,716	186,000	187,165	1,165
Liquor Corporation Profits	143,859	160,208	157,865	(2,343)
Interest Revenues	66,724	60,216	60,675	459
Registry of Motor Vehicles	65,051	75,162	75,933	771
Royalties - Petroleum	17,329	10,000	11,115	1,115
Other Provincial Sources	165,048	160,834	195,865	35,031
Prior Years' Adjustments - Provincial Sources	83,282	—	(23,833)	(23,833)
Total - Provincial Sources	**3,351,428**	**3,417,971**	**3,520,238**	**102,267**
Federal Sources				
Equalization	1,321,100	1,320,177	1,125,088	(195,089)
Canada Health and Social Transfer	553,375	591,359	605,117	13,758
Other Federal Sources	2,306	2,330	2,299	(31)
Prior Years' Adjustments - Federal Sources	46,893	—	1,924	1,924
Federal Tax Collection Agreement Error	(35,000)	—	35,000	35,000
Total - Federal Sources	**1,888,674**	**1,913,866**	**1,769,428**	**(144,438)**
Total - Revenues	**5,240,102**	**5,331,837**	**5,289,666**	**(42,171)**

Note: Interest Revenues have been restated in the 2001-2002 Actual and the 2002-2003 Estimate to include Short-Term Interest revenue, which was formerly netted against General Interest expenses in the Debt Servicing Costs appropriation. The amount of Short-Term Interest in the 2001-2002 Actual is $35.346 million, and $25.179 million and $31.643 million in the 2002-2003 Estimate and Actual respectively.

Total Ordinary Revenues were $5,289.7 million for fiscal year 2002-2003, which is $42.2 million lower than the original budget.

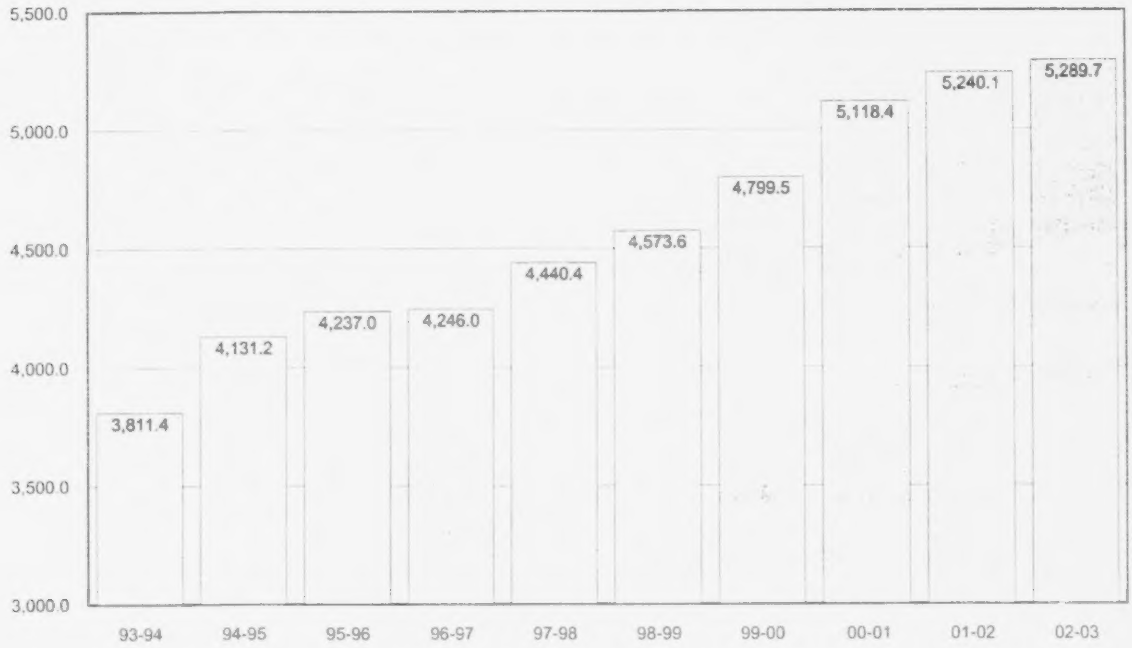
Provincial Sources

In fiscal 2002-2003, Personal Income Tax revenue increased by 2.9 per cent or $38.5 million over the budget projection, primarily reflecting growth in taxable incomes over the initial estimate. Credits decreased slightly from budget projections as well.

Corporate Income Tax revenue increased by 11.6 per cent or $21.3 million over the budget projection, primarily due to higher than projected national corporate taxable income and a significantly increased share of national corporate taxable income over budget projection. Part of the increase related to the corporate taxable income change was offset by a significant increase in the take-up of corporate income tax credits over budget expectations.

Harmonized Sales Tax increased 1.8 per cent or $16.2 million over the 2002-2003 budget projection, due to an increase in the national GST/HST Declared Revenue Pool, of which Nova Scotia is entitled to its provincial share under the Revenue Allocation Formula.

Revenues - Consolidated Fund
1993-1994 to 2002-2003
($ millions)



Tobacco Tax rose by 5.0 per cent or $6.9 million over the 2002-2003 budget, due to tobacco tax rate increases in April 2002 and January 2003. The latter tobacco tax rate increase was not factored into the 2002-2003 Estimate. Motive Fuel Tax rose by 2.9 per cent or $6.9 million over the 2002-2003 budget, due to an equivalent increase in taxable gasoline volume sales. The gasoline tax rate increase in April 2002 was factored into the 2002-2003 Estimate.

Corporate Income Tax revenue increased by 11.6 per cent or $21.3 million over the budget projection, primarily due to higher than projected national corporate taxable income and a significantly increased share of national corporate taxable income over budget projection. Part of the increase related to the corporate taxable income change was offset by a significant increase in the take-up of corporate income tax credits over budget expectations.

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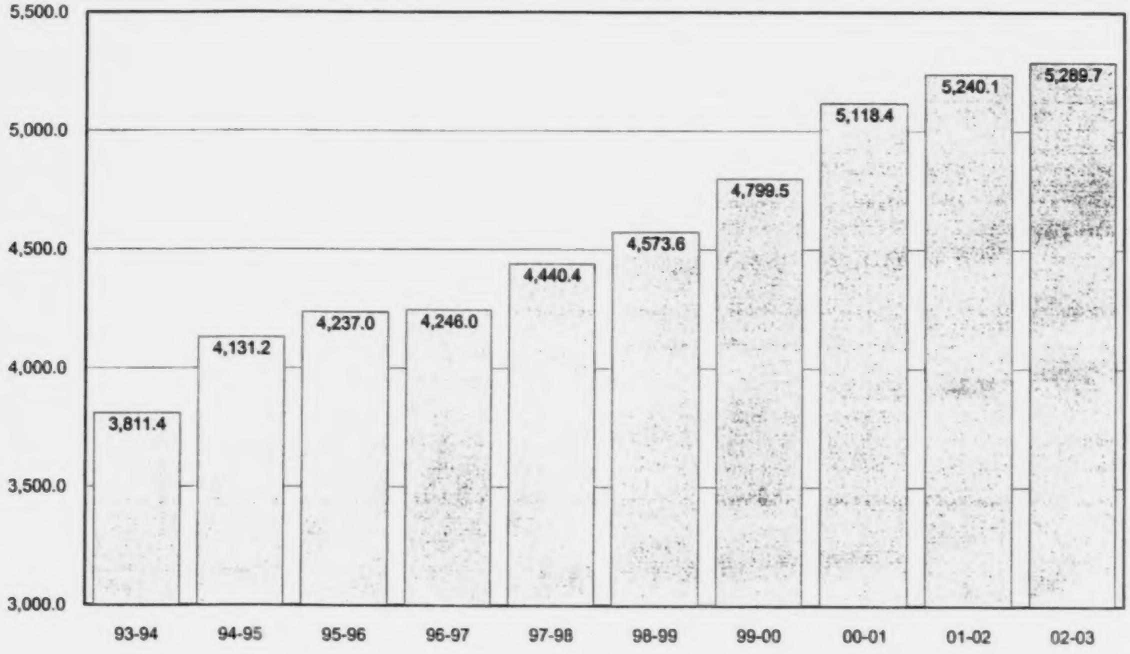
Revenues - Consolidated Fund
1993-1994 to 2002-2003
($ millions)



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Federal Sources

Equalization transfers were $1,125.1 million in fiscal 2002-2003, which was $195.1 million lower than the original budget. The decrease was driven by revised population data and higher than anticipated growth in Nova Scotia's own source revenues. The Canada Health and Social Transfer (CHST) increased by $13.8 million as a result of updated information.

Prior Years' Adjustments

Prior Years' Adjustments (PYA's) are made to reflect changes in information with respect to prior years' revenues, which are still forthcoming from sources such as the federal government. Typically, income tax adjustments are from the previous year, in this case 2001, while transfer payments are finalized over three years from the time of the initial payment. The Province experienced negative PYA's totaling $21.9 million in fiscal 2002-2003. The net $23.8 million in negative PYA's related to provincial revenue sources were partially offset by net positive PYA's of $1.9 million from federal revenue sources.

Provincial Sources

Negative PYA's of $1.5 million and $9.0 million were recorded for personal and corporate income taxes respectively due to updated information. There was a negative PYA of $10.1 million recorded for the Harmonized Sales Tax as a result of more recent information. The Capital Tax on Non-Financial Institutions and the Corporation Capital Tax recorded negative PYA adjustments of $1.4 million and $1.8 million respectively.

Federal Sources

Statistics Canada's population estimates for Nova Scotia based on the 2001 Census indicates that the population projections were smaller than previously anticipated. Since population is the most important variable in the transfer formulas, the downward revision to population has significantly impacted the federal transfers to Nova Scotia.

Since equalization entitlements are paid on a per capita basis, the province's lower level of population led to reduced equalization. Also, population share largely determines CHST entitlements. Although the population of Nova Scotia is still growing, the province's share of the national total has declined, thereby reducing Nova Scotia's CHST entitlements.

A negative PYA of $0.2 million was recorded for equalization transfers, due largely to the downward impact of census revisions on the formula. The negative impacts were offset by positive changes in other parameters in the formula and accounting adjustments. The Canada Health and Social Transfer also incurred negative impacts resulting from the census revision, which were more than offset by other positive adjustments. As a result, a positive PYA of $2.2 million was recorded for CHST.

Other Revenue Adjustment

During the year there were significant federal revenue adjustments. Further information surrounding the federal tax collection agreement error, which reduced revenues in fiscal 2001-2002 by $35.0 million, has eliminated the risk associated with this error. Therefore, the $35.0 million adjustment has been reversed in fiscal 2002-2003.

Program Spending - Consolidated Fund

Net Program Expenses

($ thousands)

DEPARTMENTS	ACTUAL 2001-2002 (as restated)	ESTIMATE 2002-2003 (as restated)	ACTUAL 2002-2003	VARIANCE Increase (Decrease)
Agriculture and Fisheries	43,955	39,273	41,440	2,167
Community Services	638,328	648,995	668,306	19,311
Economic Development	49,300	30,785	27,391	(3,394)
Education	904,376	928,733	930,205	1,472
Assistance to Universities	201,732	201,732	206,762	5,030
Environment and Labour	24,141	26,743	25,604	(1,139)
Finance	13,431	13,329	12,902	(427)
Health	1,837,746	1,980,235	1,996,005	15,770
Justice	88,404	91,753	90,771	(982)
Natural Resources	53,911	57,028	55,291	(1,737)
Public Service	100,373	107,448	106,517	(931)
Service Nova Scotia and Municipal Relations	87,908	92,298	96,533	4,235
Tourism and Culture	40,945	38,847	39,895	1,048
Transportation and Public Works	233,455	239,411	253,626	14,215
Restructuring Costs	138,639	16,114	15,557	(557)
Loss on the Sale of Crown Assets	4,938	—	687	687
	4,461,582	**4,512,724**	**4,567,492**	**54,768**

Note: The consolidation of departmental expenditures with that of government service organizations provides the total expenditures for which government is accountable. This Table provides the net program expenses by department prior to consolidation, as compared to the prior fiscal year and the budget, which are the Estimates as approved by the Legislature in the annual Appropriations Act.

Net Program Expenses, which represent the government's share of the programs and services provided to Nova Scotians, increased by $54.8 million, or 1.21 per cent, during fiscal 2002-2003 over the original budget of $4.513 billion. Increased costs in the health care, education and social service sectors and severe winter weather conditions were the primary reasons for the additional spending.

Although the Pension Valuation Adjustment is not included in Net Program Expenses, the item is included under Net Expenses in the Consolidated Fund portion of the Budgetary Summary and therefore, will be noted in this section of the Financial Highlights.

The Province of Nova Scotia accounts for pension costs on a basis that is consistent with generally accepted accounting principles and as such, in the current fiscal year recognizes pension expense to include the cost of pensionable service earned by employees and amortization of the experience gains and losses in the pension plans.

During the year, the method of valuing pension assets was reassessed and changed from a fair market value basis to a market related value basis as permitted under generally accepted accounting principles. This methodology recognizes the total annual change in market value into the asset value equally over a period of five years instead of all at once. The effect of the change is to reduce volatility in the asset values and expenses year over year from huge and often very short term fluctuations, both negative and positive, in the market value of pension plan assets as measured on March 31st of each fiscal year.

These assets are held over a very long term period and the market swings are usually not realized as they tend to even out over time. The accounting methodology change better reflects this long term nature of the investments. Along with this change, the Valuation Allowance calculation was made more complaint with PSAB. Also, to comply with new PSAB Recommendations, retirement health benefits were recorded for the first time, with the expense impact being included in the total Pension Valuation Adjustment for the year.

There was a total net positive adjustment of $150.0 million recorded as the Pension Valuation Adjustment for fiscal 2002-2003. The Pension Valuation Adjustment for fiscal 2001-2002 has also been adjusted positively by $175.5 million to $242.3 million. (See Note 2 of the 2002-2003 Consolidated Financial Statements for further details.)

The Department of Community Services was overspent by $19.3 million in fiscal 2002-2003, primarily in the Housing Services division. While actual spending did not vary much from the original budget, net expenses exceeded the estimate by $11.3 million as the provincial government increased its share of the spending in order to improve the viability of the social housing stock in the future.

Within the Family and Children's Services division, the Early Childhood Development initiative was overspent by $4.7 million. In the previous fiscal year, there were delays in ramping up programs under this new initiative and the department was unable to spend $4.7 million of their allotment. The revenues received from the federal government under the CHST in fiscal 2001-2002 were deferred until this fiscal year with the understanding that this funding would be matched to the spending in fiscal 2002-2003. Savings from the delay in opening the Secure Care Treatment facility in Truro partially offset the additional spending in the division.

The Community Support for Adults program was overspent by $7.8 million as a result of demands for individualized high cost small option facilities for clients who cannot wait for existing beds to become available. There were also significant transitional costs associated with closure of the Scotia Adult Residential Centre and the Halifax County Regional Rehabilitation Centre.

In the Income Assistance and Employment Support division, the department experienced a slower rate of decline in caseload trends but managed to achieve savings in the Property Tax Rebate program for Seniors as a result of fewer applications. In addition, there were significant savings in administrative costs as a result of a concerted effort to minimize the department's over spending.

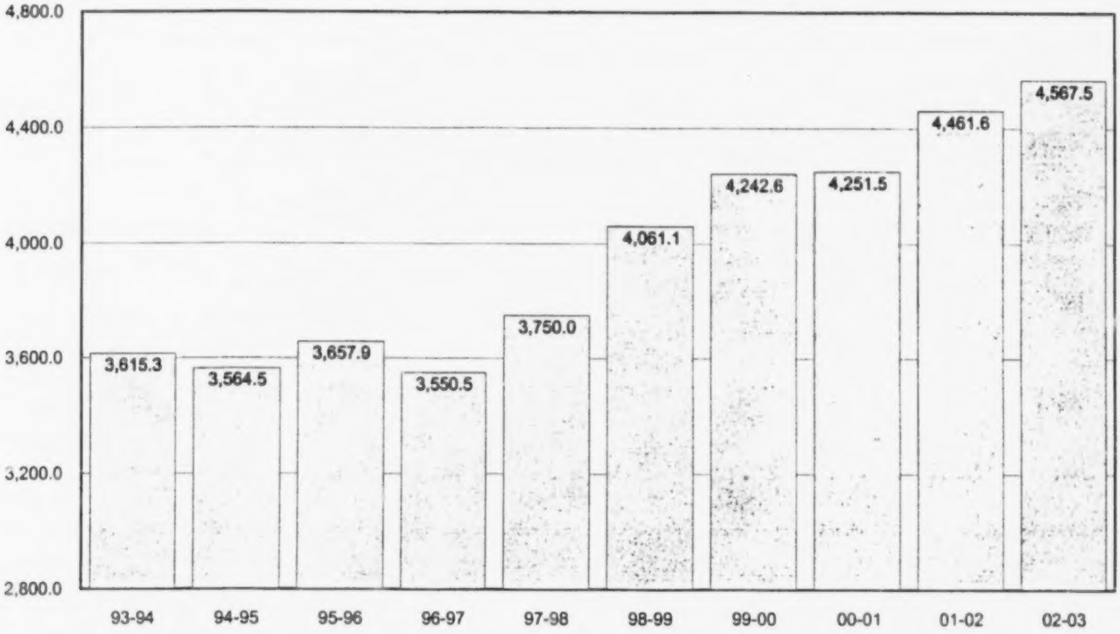
The Department of Health required an additional $15.8 million in funding in fiscal 2002-2003 to meet increased commitments in the health care sector, which is an increase of 0.8 per cent over its original budget. An additional $21.7 million was related to the year-end deficits of the district health authorities, while increased utilization and fees added a total of $3.5 million to the costs of medical payments and other insured programs. Based on the usage of blood fractionation products, Nova Scotia's payments to the Canadian Blood Service increased by $2.8 million during the fiscal year. Higher than anticipated billings, specifically from New Brunswick and Ontario, added $1.6 million to the overspending. Savings in the long term care and home care sectors and early childhood development program partially offset the additional expenses.

Spending by the Department of Transportation and Public Works exceeded the original budget of $239.4 million by $14.2 million. The primary reason for the overspending was the severe winter weather conditions, which resulted in the snow and ice control program being overspent by $11.2 million. Also, the recognition of the liability, projected to be $4.0 million, to remediate the former mine site in Inverness and the $1.4 million settlement of a long standing litigation issue contributed to the over spending. Operating savings in various divisions of the department partially offset the increases.

Net Program Expenses - Consolidated Fund

1993-1994 to 2002-2003

($ millions)



The Department of Education exceeded its 2002-2003 budget of $928.7 million by $1.5 million, or 0.02 per cent as a result of a number of factors. An additional $2.1 million was incurred to support a new rate structure for teachers' benefits. Also, increased funding of $1.5 million was provided to the regional school boards to address various cost pressures. These additional charges were partially offset by savings of $1.1 million as the Consumer Price Index price escalators on the leased schools were less than anticipated. Increased costs of $1.6 million for non-capital school renovations and repairs were offset by savings of $1.8 million in amortization, achieved as a result of changes in completion dates of schools under construction. Interest savings on the Canada Student Loan portfolio of $1.6 million were offset by additional funding to support the merger of the Collége de l'Acadie and the Université Ste. Anne of $0.7 million.

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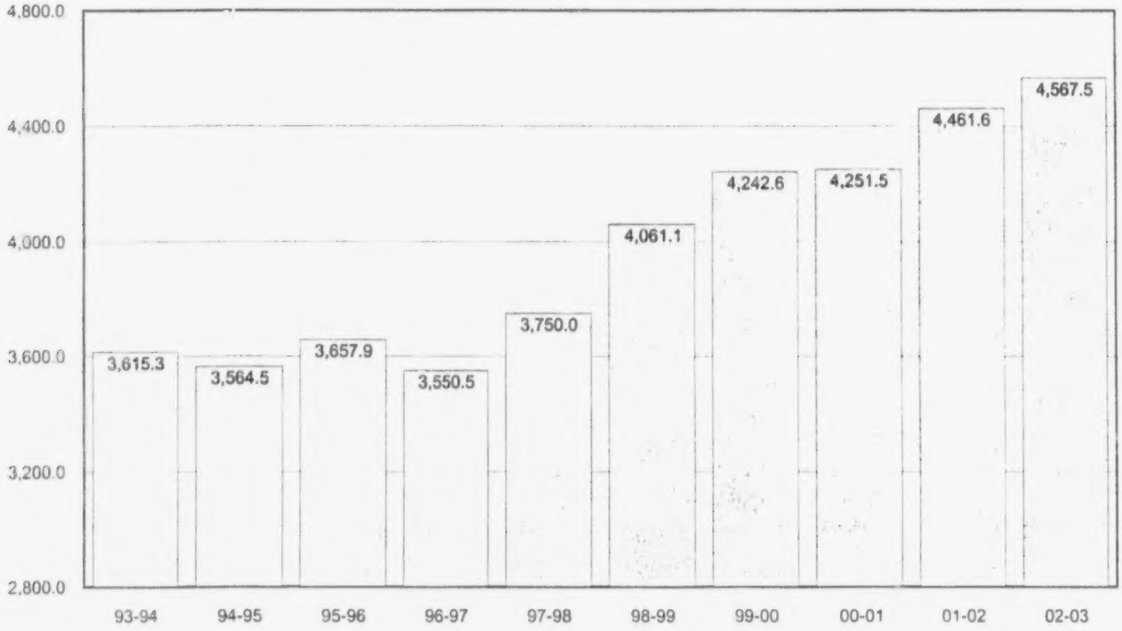
Net Program Expenses - Consolidated Fund
1993-1994 to 2002-2003
($ millions)



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The Assistance to Universities appropriation exceeded the 2002-2003 net budget of $201.7 million by 2.5 per cent, or $5.0 million. The increase was the result of an allocation of an additional $6.0 million to the universities, which was partially mitigated by an increase in recoveries related to out-of-province students of $1.0 million.

Service Nova Scotia and Municipal Relations was overspent by $4.2 million as a result of the Province of Nova Scotia's $2.0 million contribution to the Halifax Harbour Solutions Project and $1.2 million for the Low-Income Fuel Tax Refund program. Also, an accounting adjustment of $2.5 million was made to ensure that the Canada-Nova Scotia Infrastructure and Provincial Capital Assistance program grants were recognized in the fiscal period during which both the payment was authorized and the eligibility criteria was met. These additional expenses were offset by savings in salaries, operational expenses and grants in various areas of the department.

An additional $2.2 million was required by the Department of Agriculture and Fisheries to meet additional program commitments for the Net Income Stabilization Account and the Canadian Farm Income program and for an adjustment in the loan valuation allowance of the Fisheries and Aquaculture Loan Board, as a result of an analysis of outstanding loans.

The Emergency Measures Organization of Nova Scotia required $1.95 million in additional funding for Nova Scotia's share of the assistance related to the eligible municipal, private property and provincial costs sustained in the March 31, 2003 flood.

The actual results for the Department of Tourism and Culture reflect a net increase of slightly more than $1.0 million. The Executive Council approved the additional funding to enable the department to take advantage of tourism marketing initiatives in the Atlantic Canadian, Ontario and European markets.

The Nova Scotia Petroleum Directorate exceeded its original budget by $0.7 million as a result of a recommendation by Consulting and Audit Canada to reflect the actual federal recoveries approved for shipyard assistance loans, which required the Province to return $1.4 million to the Canada-Nova Scotia (Offshore) Development Fund. Savings due to delays in the Deep Panuke Offshore Gas project and an increase in the Canada-Nova Scotia Offshore Petroleum Board industry rebate partially offset the impact of the recovery adjustment.

The actual results for fiscal 2002-2003 show several departments and Public Service appropriations to be under spent, primarily because of savings achieved through the management of staffing and general operating efficiencies. The actual results for the Department of Economic Development reflect a net decrease of $3.4 million, due to federal-provincial projects that were completed at a slower pace than planned and other operational savings. These savings were partially offset by an increase in the reserve against future losses in the loan portfolio.

The final item in the Net Program Expenses schedule is Loss on the Sale of Crown Assets, which represents the net difference between the sale price of an asset and its unamortized cost. There was a net loss of $0.7 million to the Province in fiscal 2002-2003 because of the transfer of buildings as a result of the merger of the Collége de l'Acadie and the Université Ste. Anne.

Tangible Capital Assets - Consolidated Fund

Effective April 1, 1999, the Province implemented a new accounting policy for Tangible Capital Assets. The new policy charges a percentage of the original cost to each year of the useful life of the asset. This charge to operations is called amortization. As a result, departments are now required to budget for tangible capital assets purchases and the resulting amortization from the acquisition of these assets. The cost of the estimated purchases of eligible Tangible Capital Assets is voted separately in the Capital Purchase Requirements appropriation and the departmental details are noted below.

Capital Purchase Requirements

($ thousands)

DEPARTMENTS	ESTIMATE 2002-2003	ACTUAL 2002-2003	VARIANCE Increase (Decrease)
Agriculture and Fisheries	600	517	(83)
Education	90,865	87,546	(3,319)
Finance	1,500	873	(627)
Health	9,387	11,081	1,694
Natural Resources	2,980	7,652	4,672
Service Nova Scotia and Municipal Relations	3,285	3,169	(116)
Tourism and Culture	5,300	825	(4,475)
Transportation and Public Works	105,039	98,795	(6,244)
	218,956	**210,458**	**(8,498)**

The Capital Purchase Requirements appropriation was under spent by $8.5 million in fiscal 2002-2003 primarily as a result of adjustments in the construction schedules for various infrastructure projects such as: new schools; additions and alterations to existing schools; courthouses and correctional facilities; the Province's three resort hotels; and, highways. The additional spending in the Department of Natural Resources relates to the acquisition of the Cape Split property, while the increase in the Department of Health is the result of the acquisition of a back-up and disaster recovery system.

This schedule reflects the amortization charged to operations related to the Tangible Capital Assets that were acquired in prior years, as well as the charges related to the acquisitions made during fiscal 2002-2003.

Amortization

($ thousands)

DEPARTMENTS	***ESTIMATE*** *2002-2003*	***ACTUAL*** *2002-2003*	***VARIANCE*** *Increase (Decrease)*
Agriculture and Fisheries	161	158	(3)
Community Services	19	18	(1)
Economic Development	3	3	—
Education	41,480	40,618	(862)
Environment and Labour	24	23	(1)
Finance	1,894	1,922	28
Health	8,916	7,590	(1,326)
Justice	1,331	1,332	1
Natural Resources	641	444	(197)
Public Service	31	31	—
Service Nova Scotia and Municipal Relations	1,352	1,009	(343)
Tourism and Culture	145	151	6
Transportation and Public Works	61,255	59,485	(1,770)
	117,252	**112,784**	**(4,468)**

Analysis of Appropriations Relative to the Appropriations Act, 2002

for the fiscal year ended March 31, 2003

($ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Net Program Expenses					
Agriculture and Fisheries	1	39,273	41,440	2,167	2,167
Community Services	2	648,995	668,306	19,311	19,311
Economic Development	3	30,785	27,391	(3,394)	
Education	4	928,733	930,205	1,472	1,472
Assistance to Universities	5	201,732	206,762	5,030	5,030
Environment and Labour	6	26,743	25,604	(1,139)	
Finance	7	13,329	12,902	(427)	
Health	9	1,980,235	1,996,005	15,770	15,770
Justice	10	91,753	90,771	(982)	
Natural Resources	11	57,028	55,291	(1,737)	
Communications Nova Scotia	12	3,419	3,364	(55)	
Emergency Measures Organization of Nova Scotia	13	595	2,545	1,950	1,950
Executive Council	14	13,324	12,553	(771)	
FOIPOP Review Office	15	239	199	(40)	
Government Contributions to Benefit Plans	16	7,200	6,209	(991)	
Human Rights Commission	17	1,676	1,659	(17)	
Legislative Services	18	15,631	15,049	(582)	
Nova Scotia Advisory Council on the Status of Women	19	646	619	(27)	
Nova Scotia Business Inc.	20	25,600	25,600	—	
Nova Scotia Petroleum Directorate	21	7,069	7,798	729	729
Nova Scotia Police Commission	22	299	293	(6)	
Nova Scotia Securities Commission	23	1,070	1,009	(61)	
Nova Scotia Sport and Recreation Commission	24	6,317	6,316	(1)	
Nova Scotia Utility and Review Board	25	2,630	2,392	(238)	
Office of the Auditor General	26	2,025	2,010	(15)	
Office of the Ombudsman	27	802	620	(182)	
Public Prosecution Service	28	14,255	14,127	(128)	
Sydney Tar Ponds Agency	29	1,400	1,221	(179)	
Technology and Science Secretariat	30	3,251	2,934	(317)	
Service Nova Scotia and Municipal Relations	31	92,298	96,533	4,235	4,235
Tourism and Culture	32	38,847	39,895	1,048	1,048
Transportation and Public Works	33	239,411	253,626	14,215	14,215
Restructuring Costs	35	16,114	15,557	(557)	

* - Refers to the Resolution Number in the Appropriations Act, 2002.

Analysis of Appropriations Relative to the Appropriations Act, 2002

for the fiscal year ended March 31, 2003

($ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Other Appropriations					
Debt Servicing Costs	8	1,009,881	957,939	(51,942)	
Capital Purchase Requirements	34	218,956	210,458	(8,498)	
Sinking Fund Instalments and Serial Retirements	36	294,545	298,209	3,664	3,664

Note: The Debt Servicing Costs appropriation, Resolution #8, is net of Short-Term Interest revenue, which is included in Interest Revenues in Ordinary Revenue in the Budgetary Summary, and Debt Retirement Fund Earnings, which are now included in Sinking Fund Earnings. The 2002-2003 Estimate and Actual for Short-Term Interest revenue are $25.179 million and $31.643 million respectively, while the 2002-2003 Estimate and Actual for Debt Retirement Fund Earnings are $45.605 million and $55.716 million respectively.

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* - Refers to the Resolution Number in the Appropriations Act, 2002.

Debt Review

The accounting changes, which are outlined in Note 2 of the Consolidated Financial Statements, resulted in an increase in the Net Direct Debt as at March 31, 2002 from $11.561 billion to $12.128 billion. This change increased the Net Direct Debt (NDD) to Gross Domestic Product (GDP) ratio from the 44.1 per cent reported in the Public Accounts for the fiscal year 2001-2002 to 46.3 per cent.

In fiscal 2002-2003, the Province of Nova Scotia posted a surplus of $30.7 million before unusual items. The Net Direct Debt of the Province as at March 31, 2003 was $12.206 billion, an increase of $77.9 million from the restated Net Direct Debt at the end of fiscal 2001-2002. The Province's NDD to GDP ratio decreased to 44.7 per cent at March 31, 2003, down from 46.3 per cent a year earlier.

Capital Markets Issuance Initiatives

The Province of Nova Scotia borrowed $932.0 million in fiscal 2002-2003. The borrowing was used to repay debt that matured during the year and to fund provincial operations. The $932.0 million borrowing program was comprised of a $100.0 million Euro-Canadian issue under the Province's European Medium-Term Note program, $675.0 million in floating rate notes, and $157.0 million in retail structured notes.

Financial Risk Management

In fiscal 2002-2003, the Province reduced its exposure to foreign currency in the debt portfolio to 19.5 per cent, on a gross basis, at March 31, 2003, down from 28.9 per cent at March 31, 2002. Netted against US dollar sinking fund assets, foreign currency exposure stands at 15.4 per cent. This action marks a significant improvement in the Province's foreign currency exposure that stood at 72.0 per cent at March 31, 1995. The Province has achieved its target of reducing its foreign currency exposure to 20.0 per cent by September 2004, 18 months ahead of schedule.

The Province maintained its exposure to short term interest rates in the debt portfolio at 15.5 per cent, just above the minimum of the Province's floating rate exposure policy range. At March 31, 2003, the average term to maturity of the debt portfolio stood at 9.3 years, which was 0.9 years shorter than a year earlier.

Debt Servicing Costs

Net Debt Servicing Costs in fiscal 2002-2003 were $846.8 million, a decrease of $43.5 million from the restated budget.

Net Debt Servicing Costs - Consolidated Fund

($ millions)

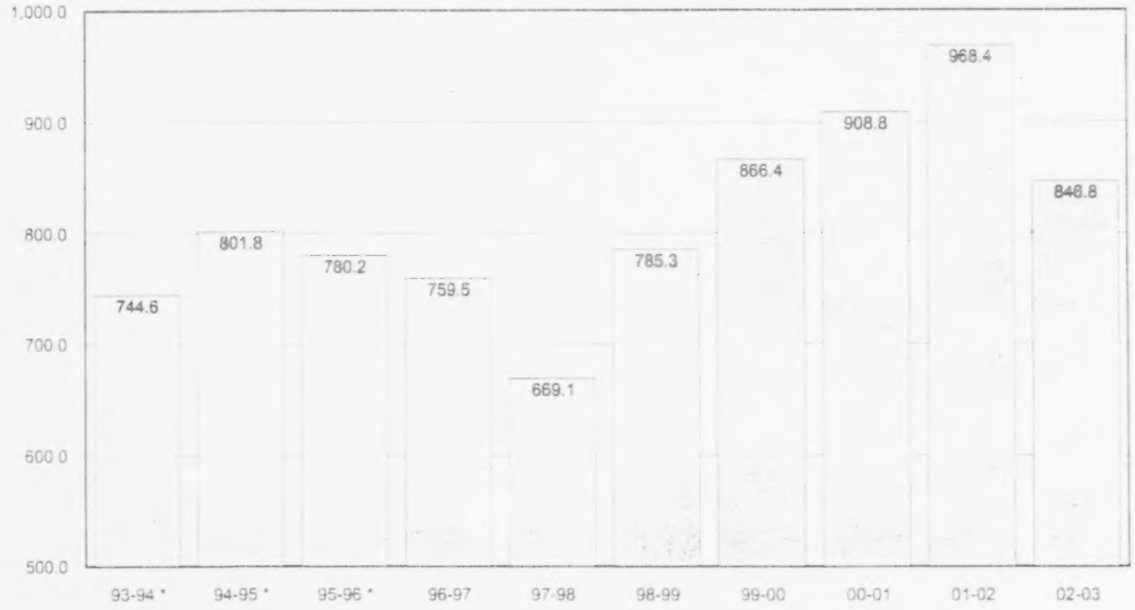
	ACTUAL *2001-2002* *(as restated)*	*ESTIMATE* *2002-2003* *(as restated)*	*ACTUAL* *2002-2003*	*VARIANCE* *Increase* *(Decrease)*
Debt Servicing Costs				
Interest on Long Term Debt	1,042.5	1,002.2	950.5	(51.7)
General Interest	39.9	38.1	29.7	(8.4)
Interest on Pensions and Other Obligations	78.3	40.3	65.1	24.8
Gross Debt Servicing Costs	**1,160.7**	**1,080.6**	**1,045.3**	**(35.3)**
Less: Sinking Fund Earnings	(192.3)	(190.3)	(198.5)	(8.2)
Net Debt Servicing Costs	**968.4**	**890.3**	**846.8**	**(43.5)**

Note: Short-Term Interest revenue, which was formerly netted against General Interest expenses in Gross Debt Servicing Costs, is now included in Interest Revenues in Ordinary Revenue. Also, Public Debt Retirement Fund Earnings, which were formerly included in Gross Debt Servicing Costs, are now included in Sinking Fund Earnings

Net Debt Servicing Costs - Consolidated Fund

1993-1994 to 2002-2003

($ millions)



* The fiscal years 1993-1994, 1994-1995 and 1995-1996 have not been restated to reflect the accounting changes related to foreign exchange gains and (losses), premiums and discounts.

Net Debt Servicing Costs - Consolidated Fund

($ millions)

	ACTUAL *2001-2002* *(as restated)*	*ESTIMATE* *2002-2003* *(as restated)*	*ACTUAL* *2002-2003*	*VARIANCE* *Increase* *(Decrease)*
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Net Debt Servicing Costs - Consolidated Fund

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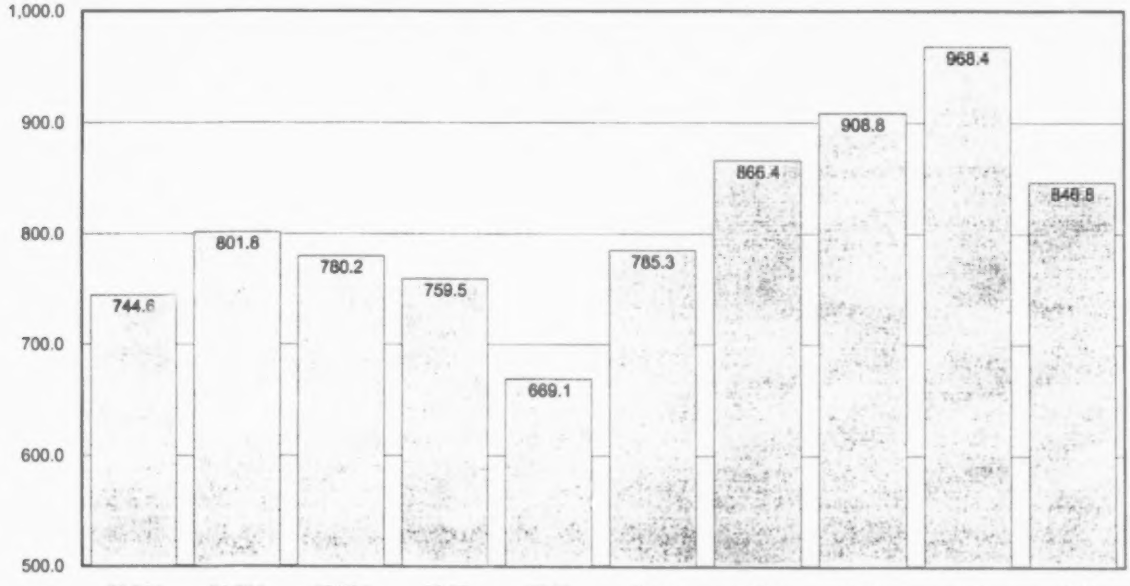
($ millions)



* The fiscal years 1993-1994, 1994-1995 and 1995-1996 have not been restated to reflect the accounting changes related to foreign exchange gains and (losses), premiums and discounts.

Debenture Debt

The Province's Net Debenture Debt, which is outstanding debentures less sinking funds and the Public Debt Retirement Fund, was $11.2 billion in Canadian dollar equivalent at the rate of exchange in effect at noon on March 31, 2003. The difference between the value of the foreign currency debt at the issue date and the net hedged value on March 31, 2003 was $556.1 million. This amount will fluctuate from year to year based on exchange rates in effect at year end.

The Province of Nova Scotia provides sinking fund instalments for several of its term debt issues not including Canada Pension Plan and Medium Term Note issues. Annual sinking fund instalments generally range from one to three percent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Sinking funds are treated as trust funds and are used solely for debt retirement. Sinking funds related to US dollar debt are invested in US dollar denominated securities.

Debenture Debt

($ millions)

	Outstanding Debentures (CDN$ Equivalents)
Debentures Payable in Canadian Dollars	
Canada Pension Plan Investment Fund	1,079.4
Other Issues	10,029.4
United States Dollars	2,642.4
	13,751.2

Borrowing Powers

Long-term debt issued by way of debentures and Medium Term Notes are subject to a legislative authority to borrow through the annual Appropriations Act. Unused portions of these authorities carry forward to be used in future years. In fiscal 2002-2003 the Province borrowed, at face value, $932.0 million in long-term debentures, which was applied to the 2001 and 2002 authorities.

Statement of Borrowing Powers

as at March 31, 2003

($ thousands)

	Amount of Issue	***2001-2002***	***2002-2003***
Balance of Authority from Previous Fiscal Years		**1,764,662**	**527,291**
Authority Approved for the Fiscal Year		**1,500,000**	**1,500,000**
Balance of Authority at April 1st		**3,264,662**	**2,027,291**
Authority Used in fiscal 2001-2002		**2,737,371**	
Authority Used in the Current Fiscal Year:			
Debenture Series B3	100,000		100,000
Promissory Note P61	27,000		27,000
Promissory Note P62	75,000		75,000
Promissory Note P63	20,000		20,000
Promissory Note P64	25,000		25,000
Promissory Note P65	50,000		50,000
Promissory Note P66	50,000		50,000
Promissory Note P67	35,000		35,000
Promissory Note P68	125,000		125,000
Promissory Note P69	100,000		100,000
Promissory Note P70	20,000		20,000
Promissory Note P71	125,000		125,000
Promissory Note P72	30,000		30,000
Promissory Note P73	50,000		50,000
Promissory Note P74	100,000		100,000
			932,000
Balance of Authority at March 31st		**527,291**	**1,095,291**

Additional Borrowing Powers:

- Cape Breton Industrial Assistance Act - Chapter 60, R.S.N.S. 1989
- Housing Act - Chapter 211, R.S.N.S. 1989
- Housing Development Corporation Act - Chapter 213, R.S.N.S. 1989
- Municipal Finance Corporation Act - Chapter 301, R.S.N.S.1989
- Sydney Steel Corporation Act - Chapter 456, R.S.N.S 1989
- Finance Act - 5, 47, Chapter 365, R.S.N.S 1989 (OIC #95-786, #90-1002)

Economic Information

Economic Indicators

	1998	1999	2000	2001	2002	2003 (F)
Gross Domestic Product at Market Prices *($ millions)*	21,401	22,970	24,224	25,203	26,193	27,313
Annual % Change	5.1	7.3	5.5	4.0	3.9	4.3
Gross Domestic Product at Market Prices *(Chained 1997 $ millions)*	21,127	22,247	22,657	23,233	24,108	24,657
Annual % Change	3.7	5.3	1.8	2.5	3.8	2.3
Personal Income *($ millions)*	20,305	21,368	22,448	23,212	23,772	24,509
Annual % Change	5.1	5.2	5.1	3.4	2.4	3.1
Consumer Price Index - Nova Scotia *(Annual % Change)*	0.6	1.7	3.5	1.8	3.0	3.9
Population *(thousands of persons)*	932	934	934	932	934	936

Sources: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PIB, released April 29, 2003
Statistics Canada, Quarterly Demographics Statistics, Cat. No. 91-002-XPB
Nova Scotia Department of Finance

Notes: The data for 2003 is Department of Finance forecasts as of 13-Aug-2003 (F).

Economic Performance

Output

In 2002, the Nova Scotia economy continued to grow despite the overall global economic slowdown. Statistics Canada reported a Real GDP growth rate of 3.8 per cent for Nova Scotia in 2002, higher than the 2.5 per cent growth rate in 2001. Real GDP growth for Canada stood at 3.3 per cent in 2002.

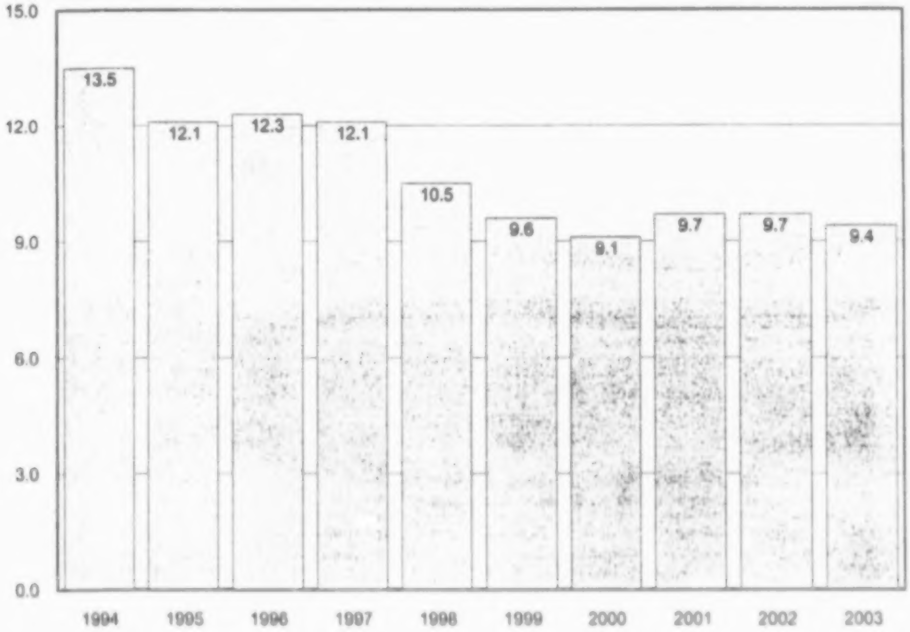
Strong domestic demand in consumer spending, housing construction and export sales to other provinces were the driving forces behind economic growth in 2002. Domestic demand was up 3.7 per cent. Residential capital expenditures were up 17 per cent, reflecting the 21.5 per cent increase in new home construction in 2002. A stronger Canadian economy supported a 5.2 per cent increase in export sales of goods and services to other provinces.

International trade and business capital investment were the weak sectors in 2002. Non-residential capital investment dropped 10.2 per cent, partly as a result of the completion of modifications to the drilling rig Eirik Raude in 2002. The global slowdown due to the slump in the United States economy resulted in a 2.0 per cent increase in international trade. Not all international export sales were weak in 2002, however, as sales were strong for products such as rubber tires, structures and parts of structures, excluding prefabricated, iron or steel, shrimps, scallops, crabs and lobster.

Labour Markets

In 2002, employment increased by 1.2 per cent to 428,400 with a net gain of 5,100 jobs. The labour force grew 1.1 cent, a rate of growth slightly lower than the growth in jobs. The net result of employment growing at a slightly faster pace than the labour supply was a stable unemployment rate in 2002 of 9.7 per cent, the same rate as in 2001.

Unemployment Rate
(per cent)

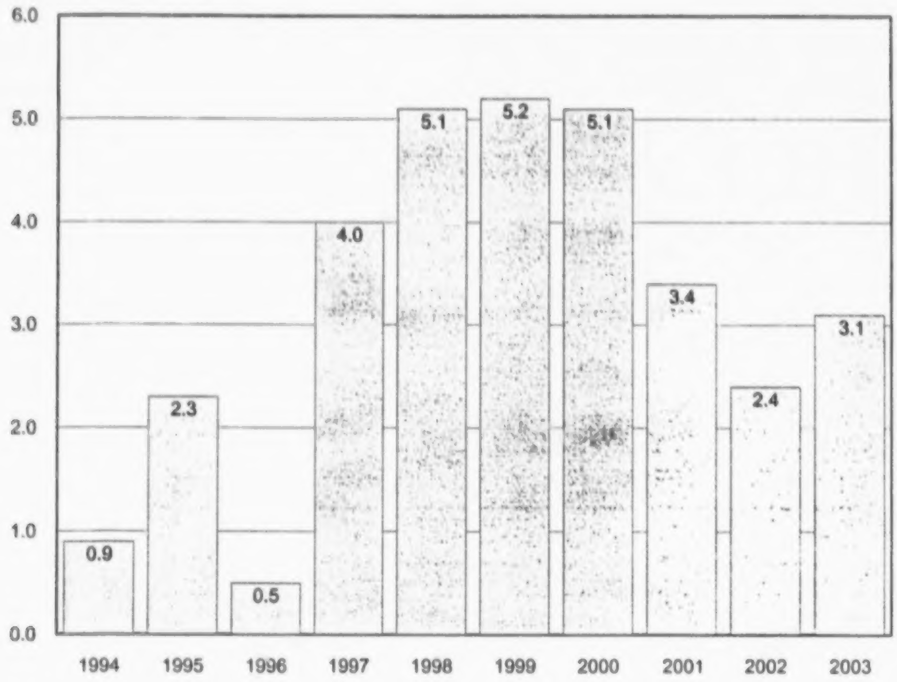


Consumer Spending and Income

Personal expenditures on goods and services increased 4.6 per cent in 2002, up from 3.5% in 2001. Retail sales registered an increase of 5.4 per cent in 2002. The tempo of consumer spending held up even as growth in personal income slowed. Personal income grew 2.4 per cent. Labour income, the largest share of personal income, increased 3.9 per cent.

Personal Income Growth

(per cent)



Industry Performance

Goods Industries Employment

Goods-producing industries accounted for 22.0% of the total employment in the Nova Scotia economy in 2002. Employment in the goods-producing industries increased 1.5 per cent in 2002.

Among goods-producing sectors, the largest increase in employment was posted in the manufacturing sector, which increased by 5.5 per cent. This was in large part due to offshore-related fabrication work. The construction sector was relatively flat in 2002 showing a decline of 1.6 per cent in employment growth as a result of non-residential construction weakness. Housing starts remained strong in the low interest rate environment increasing 21.5 per cent in 2002. The resource industries had small declines in employment levels.

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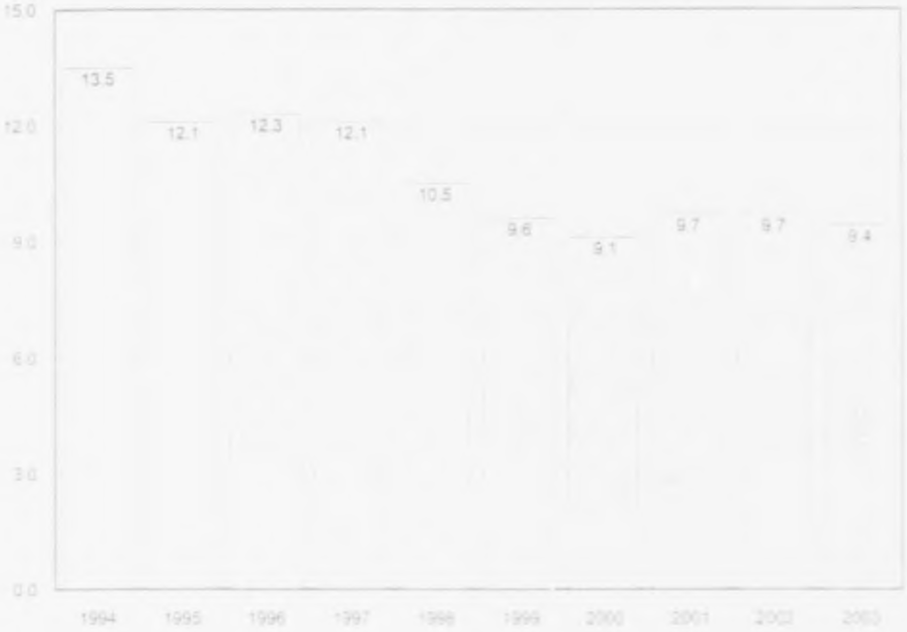

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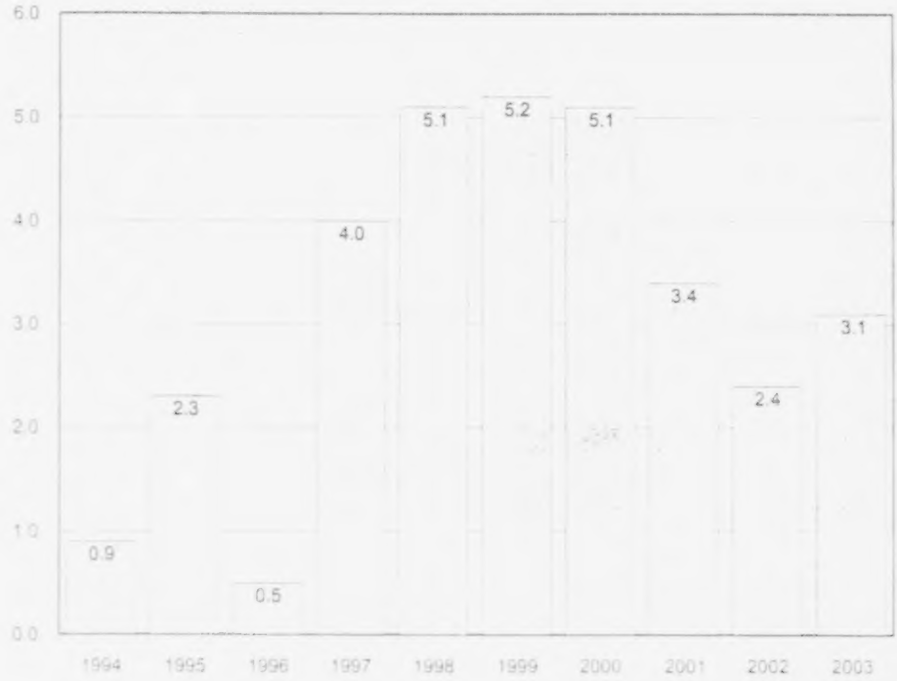

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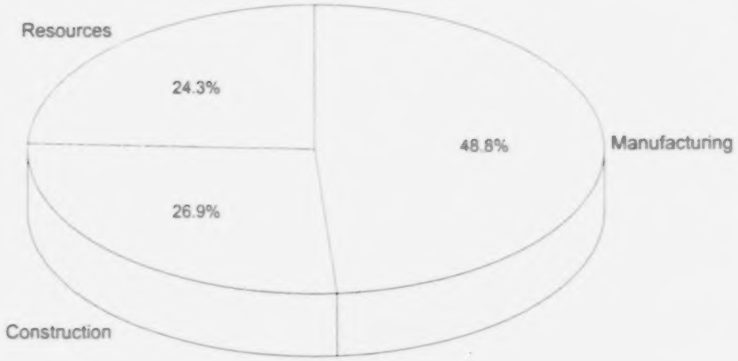
Employment by Goods Industries 2002

(as a per cent of Total Goods Industries Employment)



Services Industries Employment

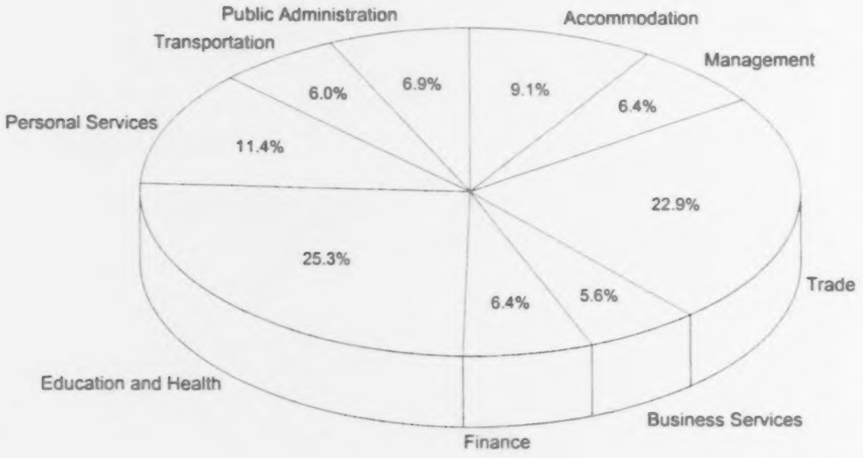
Nova Scotia is predominantly a service-sector economy. Services industries account for 78.0 per cent of Nova Scotia's employment and registered a 1.1 per cent gain in employment in 2002. The educational, health care and social assistance services sector, which is the largest component of the services sector with 25.3 per cent of the employment, reported an increase of 2.4 per cent in employment in health care and social assistance. Educational services had no growth during 2002. The trade sector, retail and wholesale, the next largest sector, represents 22.9 per cent of employment in services. This sector experienced an employment decline of 0.6 per cent in 2002.

Employment growth was concentrated in the business service sector, especially management services, which includes call centres. Offshore development and exploration supported more jobs for the professional, scientific, and technical services sector. A favourable tourism year produced more jobs in the accommodation and food services sector. Strong sales in the real estate markets, plus the construction of more new houses increased employment in the finance, insurance and leasing sector.

Employment decreases in 2002 were evident in the transportation and warehousing sector as weakness in Nova Scotia's exports, which dropped as a result of slack in the United States economy, produced diminished demand for transportation services. The information, culture and recreation sector also experienced a minor decrease in employment, while public administration employment levels dropped by 10.8 per cent in 2002.

Employment by Service Industries 2002

(as a per cent of Total Services Industries Employment)



This document and other financial information may be obtained on the Department of Finance website at:

www.gov.ns.ca/finance

NOVA SCOTIA

Public Accounts

VOLUME 2–AGENCIES AND FUNDS

for the fiscal year 2002-2003

The Honourable Peter G. Christie,
Minister of Finance

NOVA SCOTIA

Public Accounts

VOLUME 2–AGENCIES AND FUNDS

for the fiscal year ended March 31, 2003

The Honourable Peter G. Christie,
Minister of Finance

Printed by Order of the Legislature
Halifax, Nova Scotia, 2003

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Unaudited

3052155 NOVA SCOTIA LIMITED

Balance Sheet
as at March 31, 2003

ASSETS

		2003		2002
		(In thousands)		
Cash and short term investments	$	12,802	$	---
Subscriptions receivable		1		1
Total Assets	$	12,803	$	1

LIABILITIES AND SHAREHOLDER'S EQUITY

Due to Nova Scotia Resources Limited	$	12,802	$	---
Total Liabilities	$	12,802	$	---

SHAREHOLDER'S EQUITY

Capital Stock				
Authorized 100,000 common shares without par value				
Issued and outstanding 1000 common shares	$	1	$	1
Total Shareholder's Equity	$	1	$	1
Total Liabilities and Shareholder's Equity	$	12,803	$	1

Unaudited

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements
as at March 31, 2003

1. **Income taxes:**

   As a Crown Corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

AUDITORS' REPORT

To the shareholder of AgraPoint International Inc.

We have audited the balance sheet of AgraPoint International Inc. as at March 31, 2003 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lyle Tilley Davidson
Chartered Accountants

Halifax, Nova Scotia
June 11, 2003

AGRAPOINT INTERNATIONAL INC.

Balance Sheet
as at March 31, 2003

	2003	2002
ASSETS		
Current Assets		
Cash	$ 80,205	$ 160,345
Short term investments (market value $1,035,979) (note 4)	1,047,299	794,817
Accounts receivables	44,978	38,628
Subscriptions receivable	1	1
HST recoverable (note 5)	236,109	141,619
Prepaid expenses	20,267	4,470
	1,428,859	1,139,880
Capital Assets (note 6)	206,377	187,066
Other Long Term Assets (note 7)	23,950	30,794
	$ 1,659,186	$ 1,357,740
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 151,597	$ 123,140
Current portion of capital lease obligation (note 10)	7,926	6,493
Current portion of long-term debt (note 11)	8,842	---
	168,365	129,633
Deferred Government Assistance (note 8)	134,276	184,711
Capital Lease Obligation (note 10)	25,322	33,699
Long-term Debt (note 11)	30,211	---
	358,174	348,043
SHAREHOLDER'S EQUITY		
Capital Stock (note 12)	1	1
Retained Earnings	1,301,011	1,009,696
	1,301,012	1,009,697
	$ 1,659,186	$ 1,357,740

See accompanying notes to the financial statements.

AGRAPOINT INTERNATIONAL INC.

Statement of Earnings and Retained Earnings
for the year ended March 31, 2003

	2003	2002
Revenue		
Government contribution	$ 2,200,000	$ 2,200,000
Other	172,912	114,004
	2,372,912	2,314,004
Operating Expenses (note 8)		
Advertising and promotion	49,393	1,382
Amortization	69,166	38,130
Bad debts	1,600	---
Contracts	119,514	110,526
Director's expenses	18,605	10,002
Dues and professional development	63,351	24,562
Industry development and workshops	25,057	32,032
Information technology	52,301	7,066
Insurance	19,461	2,707
Interest and bank charges	2,345	883
Interest on capital lease obligation	4,839	4,300
Office	45,470	34,391
Postage and courier	6,670	9,643
Professional fees	29,540	9,144
Rent and utilities	50,061	33,555
Repairs and maintenance	3,215	9,086
Salaries, wages and benefits	1,299,035	909,245
Telephone	42,970	38,780
Travel	217,184	164,049
	2,119,777	1,439,483
	253,135	874,521
Other Income (Expenses)		
Amortization of deferred government assistance	50,435	30,718
Loss on disposal of capital assets	(12,255)	---
	38,180	30,718
Earnings for the year	291,315	905,239
Retained Earnings - Beginning of Year	1,009,696	104,457
Retained Earnings - End of Year	$ 1,301,011	$ 1,009,696

See accompanying notes to the financial statements.

AGRAPOINT INTERNATIONAL INC.

Statement of Cash Flow
for year ended March 31, 2003

	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings for the year	$ 291,315	$ 905,239
Adjustments for:.		
Amortization of capital assets	62,323	34,708
Amortization of other assets	6,843	3,422
Amortization of deferred government assistance	(50,435)	(30,718)
Loss on disposal of capital assets	12,255	—
	322,301	912,651
Changes in non-cash working capital		
Accounts receivable	(100,840)	429,312
Prepaid expenses	(15,798)	(2,767)
Accounts payable and accrued liabilities	28,460	(508,314)
	234,123	830,882
CASH FLOW FROM FINANCING ACTIVITIES		
Deposits on equipment	—	25,000
Decrease in bank indebtedness	—	(24,475)
Proceeds of capital lease obligation	—	44,730
Repayment of capital lease obligation	(6,944)	(4,538)
Government assistance related to capital assets	—	215,429
Proceeds on financing of leasehold improvements	44,211	—
Repayment of financing on leasehold improvements	(5,158)	—
	32,109	256,146
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of capital assets	(95,690)	(198,147)
Purchase of other assets	—	(34,215)
Proceeds from sale of capital assets	1,800	—
Purchase of short-term investments	(252,482)	(694,321)
	(346,372)	(926,683)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(80,140)	160,345
CASH - BEGINNING OF YEAR	160,345	—
CASH - END OF YEAR	$ 80,205	$ 160,345

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2003

1. CONTENT OF FINANCIAL STATEMENTS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. Established by the Province of Nova Scotia, AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. ACCOUNTING POLICIES

Financial instruments

The company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, long-term debt and capital lease obligation. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Capital Assets

Capital assets are recorded at cost, and are amortized using the following annual rates and methods:

Asset	Rate %	Method
Computer equipment	30	Declining balance
Computer software	100	Declining balance
Furniture and fixtures	20	Declining balance
Capital leases of equipment	20	Declining balance
Leasehold improvements	20	Straight-line

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Other assets

Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government assistance related to capital assets and other assets is deferred and amortized to earnings on the same basis as the related asset.

3. TAXATION

The Institute and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

4. SHORT-TERM INVESTMENTS

The investments are comprised of government bonds, treasury bills and other interest bearing investments.

5. HST RECOVERABLE

The company has booked the HST paid on its expenditures as full input tax credits and as at March 31, 2003 was awaiting a ruling from the HST division of Canada Customs and Revenue Agency (CCRA) to confirm that this is the proper treatment. Subsequent to the year and date a favourable ruling has been received, and this amount is expected to be received in full during the next fiscal year.

6. CAPITAL ASSETS

	2003			2002
	Cost	**Accumulated amortization**	**Net**	**Net**
Computer equipment.........	125,336	49,927	75,409	97,768
Computer software...........	22,237	14,878	7,359	3,731
Furniture and fixtures.........	67,416	15,803	51,613	45,310
Capital leases of equipment....	44,730	12,524	32,206	40,257
Leasehold improvements......	44,211	4,421	39,790	—
	$ 303,930	$ 97,553	$ 206,377	$ 187,066

7. OTHER ASSETS

	2003			2002
	Cost	**Accumulated amortization**	**Net**	**Net**
Web site development........	$ 34,215	$ 10,265	$ 23,950	$ 30,794

During the year ending March 31, 2002, the company incurred various web site development and creation costs. These costs have been capitalized and are being amortized using the straight-line method over five years.

8. GRANT FOR STARTUP COSTS

The Nova Scotia Department of Agriculture and Fisheries transferred $600,000 to the Institute on April 17, 2001. This amount is restricted to assist in start-up costs and to provide appropriate contingency funds for wind-up or other liabilities. It may also be used to fund specific projects identified by the Board, or for capital purchases. The portion of these funds used to acquire capital assets and other assets amounted to $215,429 and has been recorded as deferred government assistance in these financial statements. The remaining $384,571 was recorded as reductions of the corresponding expenses in the fiscal year ending March 31, 2002. The balance remaining unallocated at March 31, 2002 was nil.

9. ECONOMIC DEPENDENCE

The corporation receives annual operating contributions from the Province of Nova Scotia to cover its operating expenses. Although the corporation is working towards self-sufficiency through the development of alternate revenue streams, the continued operation of the corporation currently depends on the receipt of the annual operating contribution.

10. CAPITAL LEASE OBLIGATION

	2003	2002
Capital lease obligations, bearing interest at 13.69%, repayable in blended quarterly instalments of $2,946 until June 2006	$ 33,248	$ 40,192
Less: current portion	(7,926)	(6,493)
	$ 25,322	$ 33,699

11. LONG-TERM DEBT

	2003	2002
Financing of leasehold improvements, non-interest bearing, repayable in monthly principal instalments of $737, until August 2007	$ 39,053	$ ---
Less: current portion	(8,842)	---
	$ 30,211	$ ---

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions are as follows:

Year ending March 31,	2004	$ 8,842
	2005	8,842
	2006	8,842
	2007	8,842
	2008	3,685

12. CAPITAL STOCK

	2003	2002
Authorized - 1,000,000 common shares without nominal or par value 1,000,000 common shares with a par value of $1.00 each		
Issued - 1 common share without nominal or par value	$ 1	$ 1

13. COMMITMENTS

The aggregate annual payments under long term property leases expiring October 2003 and August 2007 are as follows:

Year ending March 31,	2004	$	42,579
	2005		32,482
	2006		33,972
	2007		33,972
	2008		14,155

14. CONTINGENT LIABILITY

A customer of the company asseted a $45,000 claim in January 2003 with respect to a loss they allege resulted on the advice of staff of AgraPoint International Inc. The insurance adjustors have advised the claimant that the claim for damages was denied and that any action would be defended. There has been no response from the claimant and it is management's opinion that the claim is without merit and will be unsuccessful; therefore, no provision for this claim has been recorded in the accounts.

Unaudited

AGRI TECH PARK INC

Statement of Financial Position
as at March 31, 2003, with comparatives

		March 31, 2003		March 31, 2002
Liability				
Due to Department of Agriculture and Fisheries.........	$	174,216	$	118,666
Shareholder's Deficiency				
Common stock (1 coomon share issued and outstanding)				
Accumulated deficits..............................	$	---	$	---
		(174,216)		(118,666)

These financial statements do not include disclosure recommended by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes.

Statement of Operations
as at March 31, 2003, with comparatives

		2003		2002
Revenues	$	496,441	$	358,731
Expenses:				
Operating goods and services.......................		284,791		210,582
Professional and special services fees.................		128,440		93,827
Salaries and benefits..............................		125,942		94,609
Other..		10,263		3,271
Travel...		2,555		534
		551,991		402,823
Net loss during the year............................		(55,550)		(44,092)
Accumulated deficits, beginning of year................		(118,666)		(74,574)
Accumulated deficits, end of year.....................	$	(174,216)	$	(118,666)

These financial statements do not include disclosure recommended by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes.

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 20, 2003

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Operations
for the year ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Revenue				
Department of Health Funding $	61,315,896 $	— $	61,315,896 $	58,390,950
Department of Veteran's Affairs	1,872,685	—	1,872,685	1,778,938
Patient	2,012,169	—	2,012,169	1,927,093
Physician funding	1,277,042	—	1,277,042	755,059
Program recoveries and sales	2,579,961	—	2,579,961	2,224,807
Amortization of deferred capital grants	—	2,989,498	2,989,498	3,451,705
Other	172,798	14,282	187,080	181,730
	69,230,551	3,003,780	72,234,331	68,710,282
Expenses				
Administration and support	3,349,307	—	3,349,307	2,371,907
Addiction	1,383,482	—	1,383,482	1,274,570
Diagnostic imaging	3,491,438	—	3,491,438	3,127,769
Environmental	2,688,934	—	2,688,934	2,629,065
Finance	798,771	—	798,771	611,501
Food and nutrition	3,182,561	—	3,182,561	3,030,084
Health information	1,824,422	—	1,824,422	1,622,405
Human resources	628,886	—	628,886	503,049
Information technology	1,235,212	—	1,235,212	1,020,318
Laboratory	4,526,903	—	4,526,903	4,193,985
Materials management	1,560,181	—	1,560,181	1,475,345
Mental health	4,437,636	—	4,437,636	3,958,174
Nursing	29,010,461	—	29,010,461	27,707,014
Pharmacy	691,648	—	691,648	652,875
Plant and support	4,884,271	—	4,884,271	3,888,059
Public health	1,558,603	—	1,558,603	1,352,872
Rehabilitation	1,359,339	—	1,359,339	1,246,996
Other programs	1,574,063	—	1,574,063	1,280,348
Amortization of property, plant and equipment	—	3,274,192	3,274,192	3,773,795
Employee future benefits	451,103	—	451,103	431,324
Sundry	593,330	22,144	615,474	2,386,918
Miller building removal	—	—	—	500,000
	69,230,551	3,296,336	72,526,887	69,038,373
Deficiency of revenues over expenses	—	(292,556)	(292,556)	(328,091)
Department of Health Funding of 2001 operating deficiency	—	—	—	25,491
Deficiency of revenues over expenses $	— $	(292,556) $	(292,556) $	(302,600)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2003

ASSETS

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Current				
Cash and cash equivalents	$ 3,578,998	$ (1,423,491)	$ 2,155,507	$ 1,588,465
Accounts receivable (Note 3)	9,074,634	2,230,928	11,305,562	10,912,916
Inventory	1,010,852	---	1,010,852	934,203
Prepaid expenses	194,080	167,870	361,950	301,763
	13,858,564	975,307	14,833,871	13,737,347
Long-term assets (Note 4)	4,302,283	---	4,302,283	3,764,965
Property, plant and equipment (Note 5)	---	45,546,658	45,546,658	45,542,519
	$ 18,160,847	$ 46,521,965	$ 64,682,812	$ 63,044,831

LIABILITIES

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Current				
Accounts payable and accrued liabilities (Note 7)	$ 10,994,402	$ 641,750	$ 11,636,152	$ 11,196,171
Current portion of long-term debt (Note 8)	---	---	---	29,440
Revenue received in advance	3,442,866	---	3,442,866	2,663,686
	14,437,268	641,750	15,079,018	13,889,297
Long-term debt (Note 8)	---	---	---	67,877
Employee future benefits (Note 13)	3,723,579	---	3,723,579	3,517,145
Deferred capital grants (Note 9)	---	44,914,265	44,914,265	44,312,006
	18,160,847	45,556,015	63,716,862	61,786,325

FUND BALANCES

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Restricted (Page 18)	---	347,231	347,231	322,028
Unrestricted (Page 18)	---	618,719	618,719	936,478
	---	965,950	965,950	1,258,506
	$ 18,160,847	$ 46,521,965	$ 64,682,812	$ 63,044,831

Commitments (Note 10)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
For the Year Ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Restricted Fund Balances				
Balance, beginning of period........	$ —	$ 322,028	$ 322,028	$ 243,341
Transfer from unrestricted fund balance....................	—	13,787	13,787	—
Excess of revenues over expenses....	—	11,416	11,416	78,687
Balance, end of period............	—	347,231	347,231	322,028
Unrestricted Fund Balances				
Balance, beginning of period........	—	936,478	936,478	1,317,765
Transfer to restricted fund balance....	—	(13,787)	(13,787)	(78,687)
Deficiency of revenues over expenses.................	—	(303,972)	(303,972)	(302,600)
Balance, end of period	—	618,719	618,719	936,478
Total Fund Balances...............	$ —	$ 965,950	$ 965,950	$ 1,258,506

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statements of Cash Flows
Year Ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenditures...............	$ —	$ (292,556)	$ (292,556)	$ (302,600)
Adjusted for:				
Amortization of property, plant and equipment (Page 16)...	—	3,274,192	3,274,192	3,773,795
Amortization of deferred capital grants (Page 16).........	—	(2,989,498)	(2,989,498)	(3,451,705)
Employee future benefits (Page 16)...................	451,103	—	451,103	431,324
Changes in non-cash working capital items (Note 12)...........	2,172,148	(1,482,469)	689,679	288,045
Payment of employee future benefits (Note 13).............	(244,669)	—	(244,669)	(156,061)
	2,378,582	(1,490,331)	888,251	582,798
Financing				
Proceeds from capital grants (Note 9)......................	—	3,591,757	3,591,757	1,453,528
Repayment of long term debt........	—	(97,317)	(97,317)	(29,440)
	—	3,494,440	3,494,440	1,424,088
Investing				
Investment in long term assets.......	(537,318)	—	(537,318)	(429,464)
Acquisition of property, plant and equipment.............	—	(3,278,331)	(3,278,331)	(2,887,415)
Proceeds on disposal of property, plant and equipment	—	—	—	20,000
	(537,318)	(3,278,331)	(3,815,649)	(3,296,879)
Net cash inflow (outflow)...........	1,841,264	(1,274,222)	567,042	(1,289,993)
Cash and cash equivalents (bank indebtedness),beginning of period..	1,737,734	(149,269)	1,588,465	2,878,458
Cash and cash equivalents (bank indebtedness), end of period.......	$ 3,578,998	$ (1,423,491)	$ 2,155,507	$ 1,588,465

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's mission "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the District Health Authority are Annapolis Community Health Centre, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 20%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

f) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2003 Total	2002 Total
Department of Health				
Operating funding............$	5,318,256 $	--- $	5,318,256 $	7,765,689
Transition support program....	607,373	---	607,373	360,717
Capital grants...............	---	1,120,402	1,120,402	245,868
Department of Veteran's Affairs..	25,056	---	25,056	161,710
Patient Care..................	605,798	---	605,798	564,974
HST rebates...................	247,123	117,768	364,891	662,392
Charitable foundations.........	66,820	636,924	703,744	682,005
Psychiatric recoveries..........	182,200	---	182,200	163,729
Federal grant funding...........	250,606	---	250,606	288,288
Trade........................	1,771,402	355,834	2,127,236	17,544
$	9,074,634 $	2,230,928 $	11,305,562 $	10,912,916

4. LONG-TERM ASSETS

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions and accounts receivable from the Department of Health for employee future benefits.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Land and land improvements	$ 687,344	$ 269,212	$ 418,132	$ 190,150
Building and building service equipment	60,145,074	20,432,206	39,712,868	39,349,745
Equipment	34,724,910	29,309,252	5,415,658	6,002,624
	$ 95,557,328	$ 50,010,670	$ 45,546,658	$ 45,542,519

6. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $4.1 million. As well, the District Health Authority has available a capital line of credit in the amount of $1,025,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance for South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2003 Total	2002 Total
Trade payables	$ 1,348,128	$ 232,949	$ 1,581,077	$ 1,534,585
Accrued liabilities	1,307,427	408,801	1,716,228	1,428,185
Vacation pay	3,955,168	---	3,955,168	3,479,952
Salary and benefits	3,565,545	---	3,565,545	3,980,180
Miller building removal	500,000	---	500,000	500,000
Other	318,134	---	318,134	273,269
	$ 10,994,402	$ 641,750	$ 11,636,152	$ 11,196,171

In 2002 a decision was taken to cease operations within the Miller Building, a discrete building on Valley Regional Hospital site. It is the intention of the District to have the building removed at some future date yet to be determined. The amount shown is mangement's best estimate of the costs associated with the removal.

8. LONG-TERM DEBT

	2003	2002
Obligations Under Capital Leases - repaid during the year	$ ---	$ 97,317
Current portion	---	(29,440)
	$ ---	$ 67,877

9. DEFERRED CAPITAL GRANTS

	2003	2002
Balance, beginning of period	$ 44,312,006	$ 46,310,183
Grant received for:		
Capital assets purchased	1,304,652	1,453,528
Future capital asset purchases	2,287,105	---
	47,903,763	47,763,711
Amortization of deferred capital grants	(2,989,498)	(3,451,705)
Balance, end of period	$ 44,914,265	$ 44,312,006

10. COMMITMENTS

Leases and Purchase Commitments

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

2004	2005	2006	2007	2008
$ 1,197,389	$ 1,131,671	$ 733,743	$ 508,836	$ 508,836

11. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was $2,106,051.

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2003 Total	2002 Total
Accounts receivable	$ 749,752	$ (1,142,398)	$ (392,646)	$ (2,866,976)
Inventory	(76,649)	---	(76,649)	(41,358)
Prepaid expenses	82,120	(142,307)	(60,187)	(48,755)
Accounts payable and accrued liabilities	637,745	(197,764)	439,981	2,875,820
Revenue received in advance	779,180	---	779,180	369,314
	$ 2,172,148	$ (1,482,469)	$ 689,679	$ 288,045

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The most recent actuarial valuation was for the year ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were extrapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

Continuity Schedule	2003	2002
Liability, beginning of year	$ 3,517,145	$ 3,241,882
Current service costs	235,600	202,000
Interest on liability	229,100	220,100
Benefits paid out to retirees	(244,669)	(156,061)
Current year amortized actuarial loss (gain)	(13,597)	9,224
Liability, end of year	$ 3,723,579	$ 3,517,145

Significant actuarial assumptions were adopted in measuring the financial position of the program as at March 31, 2003 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is caculated over the expected average remaining service life of the employee group covered by the plans, namely 12.9 years. The net expenditure related to these employee future benefits was $451,103 (2002-431,324) for the year.

All accumulated liabilities of the retiring allowance program of the Annapolis Valley District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

14. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The Annapolis Valley District Health Authority performs a continuous evaluation, of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

15. COMPARATIVE FIGURES

Certain of the comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

AUDITORS' REPORT

To the Chairman and Members of
Annapolis Valley Regional School Board

We have examined the Operating Fund and Trust Fund balance sheets of the Annapolis Valley Regional School Board as at March 31, 2003, and the statements of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003, and results of its operations for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

MACKENZIE, MORSE AND BREWSTER
Chartered Accountants

Berwick, Nova Scotia
June 19, 2003

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Balance Sheet
For the Year Ended March 31, 2003

Financial and Capital Assets

	2003	2002
Financial Assets		
Cash	$ 806,117	$ 5,450
Accounts Receivables		
Province of Nova Scotia	10,899,204	9,518,780
Government of Canada	732,012	1,118,546
Municipalities	27,040	---
Other school boards	---	32,196
Other	1,007,766	892,532
Due from Trust Funds	27,635	126,008
Prepaid Expenses	449,852	357,696
Inventories	---	127,091
Restricted Cash & Investments (Note 2)	17,895	18,298
Total Financial Assets	$ 13,967,521	$ 12,196,597
Capital Assets		
Net Book Value of Capital Assets (Note 1)	84,353,915	84,736,592
Financial and Capital Assets	$ 98,321,436	$ 96,933,189

Liabilities and Retained Earnings

	2003	2002
Liabilities		
Bank Indebtedness	$ ---	$ 1,180,637
Payables and Accruals-Trade	806,696	351,688
Payables and Accruals-Government		
Province of Nova Scotia	94,063	---
Government of Canada	1,114	---
Municipalities	20,286	---
Other	3,270,232	330,469
Current portion of Long-term Debt	376,048	---
Deferred Revenues	1,064,102	1,467,805
Retirement Obligations (Note 3)	7,505,000	7,505,000
Equity-Capital	84,353,915	84,736,592
Total Liabilities	$ 97,491,456	$ 95,572,191
Retained Earnings		
Retained Earnnings represented by:		
Unrestricted Retained Earnings	$ 812,085	$ 1,342,700
Restricted Retained Earnings	17,895	18,298
Total Retained Earnings	$ 829,980	$ 1,360,998
Liabilities and Retained Earnings	$ 98,321,436	$ 96,933,189

Commitments (Note 6)

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Statement of Operations
For the Year Ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 73,779,155	$ 75,183,771	$ 72,321,643
Government of Canada	1,117,742	1,388,352	513,435
Municipal Contributions	14,669,291	14,669,095	14,315,935
Other Revenues	4,001,854	4,070,896	4,674,676
	$ 93,568,042	$ 95,312,114	$ 91,825,689
Expenses (Schedule B)			
Total Board Governance	$ 286,582	$ 278,152	$ 210,229
Total Regional Management	2,699,429	2,607,579	2,266,595
Total School Management	8,035,604	7,994,370	6,774,745
Total Instruction	52,862,687	54,047,432	53,477,880
Total Student Support	11,145,429	10,982,071	10,262,787
Total Adult Education	1,403,318	1,583,181	1,850,384
Total Property Services	8,772,416	8,907,330	7,896,997
Total Student Transportation	6,745,403	6,809,096	6,533,013
Other Programs	1,617,174	1,463,602	1,352,143
Interest Expenses	---	438,000	469,000
	$ 93,568,042	$ 95,110,813	$ 91,093,773
Annual Operating Surplus	$ ---	$ 201,301	$ 731,916

Statement of Retained Earnings
For the Year Ended March 31, 2003

	2003	2002
Opening Balance, Unrestricted Retained Earnings	$ 1,342,700	$ 610,784
Annual Operating Surplus	201,301	731,916
Less: Transfers to Operating	731,916	---
Closing Balance, Unrestricted Retained Earnings	$ 812,085	$ 1,342,700
Opening Balance, Reserves	610,784	610,784
Plus: Transfers from Unrestricted Retaned Earnings	201,301	731,916
Closing Balance, Reserves	$ 812,085	$ 1,342,700
Total Balance, Retained Earnings	$ 812,085	$ 1,342,700

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Trust Fund Balance Sheet
For the Year Ended March 31, 2003

ASSETS

	2003	2002
Cash	$ 882,987	$ 670,685
Investment at cost	3,700	3,700
Receivables		
Province of N.S.	54,233	96,831
Other	10,901	—
	$ 951,821	$ 771,216

LIABILITIES

	2003	2002
Payables and Accrual‑Trade	$ 62,237	$ —
Payables and Accrual-Other	547	—
Conversion	(6)	—
Due to operating	27,635	126,008
	90,413	126,008

EQUITY

	2003	2002
Trust Funds (Note 4)	861,408	645,208
	$ 951,821	$ 771,216

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule A - Supplementary Detail of Revenues
For the Year Ended March 31, 2003

Revenue	2003 Budget	2003 Actual	2002 Actual
Province of Nova Scotia:			
Operating	$ 64,729,400	$ 65,234,446	$ 65,253,203
Restricted	6,275,780	6,278,379	6,184,223
Capital	343,000	308,700	—
Other	2,241,000	3,192,263	884,217
Recoveries	189,975	169,983	—
Total Province of Nova Scotia	$ 73,779,155	$ 75,183,771	$ 72,321,643
Government of Canada			
IA Northern Development	$ 210,000	$ 241,756	$ 209,584
HRDC	625,711	844,165	35,428
Secretary of State	282,031	263,842	268,423
Other	—	38,589	—
Total Government of Canada	$ 1,117,742	$ 1,388,352	$ 513,435
Municipal Contributions:			
Mandatory	$ 14,669,291	$ 14,669,095	$ 14,315,935
Total Municipal Contributions	$ 14,669,291	$ 14,669,095	$ 14,315,935
Other Revenues			
Board Generated-Other	$ 2,849,871	$ 1,878,268	$ 2,848,899
Other Revenue-Schools	---	599,162	1,664,107
Tuition-Students	646,983	189,024	---
Registration	343,500	375,422	---
Rentals	6,500	25,457	10,000
Interest/Investments	135,000	106,422	151,670
Recoveries-Non-governmental	---	66,709	—
Sale of Assets	20,000	12,384	---
Transfer from Unrestricted Retained Earnings	—	731,916	—
From Other-GSO's	---	86,132	—
Total Other Revenues	$ 4,001,854	$ 4,070,896	$ 4,674,676
Total Revenues	$ 93,568,042	$ 95,312,114	$ 91,825,689

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Year Ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Expenses:			
Board Governance:			
Board Members	$ 191,350	$ 177,872	$ 106,144
Board Secretary	24,072	29,878	23,188
NSSBA & Other	71,160	70,402	80,897
Total Board Governance	$ 286,582	$ 278,152	$ 210,229
Regional Management:			
Management Services	$ 1,465,719	$ 1,449,776	$ 1,153,890
Financial Services	301,530	314,741	307,098
Human Resources Services	798,178	716,131	750,899
Communication Services	58,452	57,326	54,708
ITS - Regional	75,550	69,605	---
Total Regional Management	$ 2,699,429	$ 2,607,579	$ 2,266,595
School Management & Support:			
School Management	$ 5,811,435	$ 5,749,864	$ 5,666,780
Program & Curriculum Support	1,226,457	1,199,220	932,373
ITS - Site Specific	997,712	1,045,286	175,592
Total School Management	$ 8,035,604	$ 7,994,370	$ 6,774,745
Instructional & School Services:			
Instruction	$ 50,940,807	$ 52,180,457	$ 51,793,642
Guidance Services	931,623	931,623	899,674
Library Services	990,257	935,351	784,564
Total Instruction	$ 52,862,687	$ 54,047,431	$ 53,477,880
Student Support:			
Program Management	$ 116,923	$ 104,817	$ 156,257
Instruction	10,159,711	9,958,587	9,039,231
Program & Curriculum Support	868,795	918,667	1,067,299
Total Student Support	$ 11,145,429	$ 10,982,071	$ 10,262,787

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
For the Year Ended March 31, 2003

Adult & Community Education:			
Program Management	$ 161,476	$ 159,652	$ 150,868
Instruction	1,180,878	1,364,282	1,666,795
Program & Curriculum Support	60,964	59,247	32,721
Total Adult Education	$ 1,403,318	$ 1,583,181	$ 1,850,384
Property Services:			
Management Services	$ 454,932	$ 482,010	$ 432,234
Custodial Services	3,092,571	2,946,153	3,118,299
Maintenance Services	4,959,913	5,205,481	4,052,612
Grounds Services	265,000	273,686	293,852
Total Property Services	$ 8,772,416	$ 8,907,330	$ 7,896,997
Student Transportation:			
Management Services	$ 297,826	$ 291,702	$ 304,409
Transportation (Board)	1,896,995	1,862,044	1,550,156
Maintenance (Board)	652,149	732,742	841,828
Transportation (Contract)	3,898,433	3,921,091	3,835,837
Site Maintenance	---	1,517	783
Total Student Transportation	$ 6,745,403	$ 6,809,096	$ 6,533,013
Other Programs	$ 1,617,174	$ 1,463,603	$ 1,352,143
Interest Expense	---	438,000	469,000
Total Expenses	$ 1,617,174	$ 1,901,603	$ 1,821,143
Total	$ 93,568,042	$ 95,110,813	$ 91,093,773

The accompanying notes are an integral part of these financial statements.

1. Summary of significant accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Department of Education School Board Financial Handbook.

Financial statement presentation

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

Basis of accounting

The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis. Teachers' salaries and those of non-teaching employees are recorded on the cash basis.

School property, equipment, buses and other vehicles

School property, equipment and buses taken over from the Kings County District School Board which were previously transferred from the Kings County Amalgamated School Board and the Town of Hantsport have been recorded at cost to the Amalgamated Board and the Town respectively. Assets taken over from the Annapolis District School Board and Hants West District School Board which were formerly held by municipal units are recorded at their transferred amount.

Under the previous district school board agreements for the Annapolis and Hants West District School Boards, all school buildings and land on hand at December 31, 1981 remain assets of the municipal units but are under the operational control of the Board until such time as the Board no longer requires the asset for school board purposes. At that time control will revert back to the municipal units.

All major capital additions to school buildings on hand at December 31, 1981 and any new school construction commencing after that date are assets of the Board. As a result, the Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the school board under the circumstances noted above, a portion of the proceeds will be payable to the school board. In the event of the destruction of a building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the school board.

All capital additions and acquisitions from December 31, 1981 to March 31, 2001 have been recorded at actual cost. Effective April 1, 2002, the Province of Nova Scotia adopted tangible Capital Assets Accounting Guidelines and as a result only expenditures which meet the TCA Thresholds will be capitalized. Depreciation is not being recorded on the school buildings, equipment, buses or other vehicles.

2. **Restricted cash and investments**

Schedule of restricted cash and investments: Operating fund (pg. 26)	2003	2002
Surplus - Restricted (Cafeterias)	$ 17,895	$ 18,298

3. **Retirement Allowance**

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

4. **Trust funds**

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. The following is a summary of the trusts and their activity during the year. Effective April 1, 1997 the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

Managed Trust Funds:

	March 31, 2002	Additions	Interest	Disbursements	March 31, 2003
ACES Trust	$ 1,387	$ —	$ 40	$ 700	$ 727
ARRA Library Trust	6,465	—	176	1,266	5,375
Atkinson Trust	1,833	—	49	350	1,532
BarteauTrust	4,452	—	124	500	4,076
Bateman Trust	2,730	499	87	—	3,316
Beals Trust	144,743	77,555	5,952	5,000	223,250
Beattie Trust	10,495	—	295	325	10,465
BergevinTrust	7	—	—	7	—
Blackburn Trust	3	351	6	350	10
Borden Trust	3,367	—	95	115	3,347
BrannonTrust	925	—	26	66	885
Carter Trust	6,902	—	193	500	6,595
Clarke	6,576	—	186	200	6,562
Coldwell Trust	5,142	—	146	180	5,108
Cummings Trust	13,304	188	379	500	13,371
Dalton Trust	15,519	—	438	480	15,477
DeEll Trust	55,444	1,001	1,575	3,900	54,120
EvansTrust	888	—	25	50	863
Harvey	—	2,100	51	100	2,051
Haskell Trust	24,152	1,000	705	1,000	24,857
Hibbard Trust	10,578	—	298	315	10,561
Horton Alumni	2,155	—	61	75	2,141
Hudgins Trust	414	—	12	14	412
Inglis Trust	21,456	—	604	859	21,201
Jones - BRES	5,162	—	146	—	5,308
Jones-BRHS	14,177	3,178	406	6,035	11,726
Johnson Trust	11,214	—	317	345	11,186
KCA Closing	32	—	—	32	—
KCDSB Trust(Warner)	5,366	113	152	300	5,331
Lightfoot Trust	689	26	17	500	232
LockhartTrust	1,127	—	29	500	656
Lyons Trust	4,707	—	134	165	4,676
Margeson	1,482	—	37	900	619
MacFarlane	8,436	50	239	259	8,466
MacNutt Trust	34,645	701	992	500	35,838
Mitchell Trust	1,313	—	38	—	1,351
MRHS 40 th Ann. Trust	16,016	12	453	400	16,081
Neily Trust	430	—	11	9	432
Nixon Trust	5,692	249	166	250	5,857
Harry E. Parker Trust	4,545	550	138	200	5,033
Rena B. Parker Trust	37,351	—	1,053	1,300	37,104
Quartermain Trust	694	250	23	250	717
Rainforth Trust	452	—	12	—	464
Leah Rhoddy Trust	5,000	100	140	300	4,940
Sinnott Trust	10,784	—	304	375	10,713
Earle Spicer Trust	22,134	—	521	630	22,025
WorthylakeTrust	14,063	4,479	451	1,000	17,993
Champlain Refresh	31,915	40,527	441	26,870	46,013
Horton Refresh	(54,016)	300,000	51	289,537	(43,502)
Northeast Kings	9,095	126,480	38	114,325	21,288
Pine Ridge Refresh	17,080	85,189	302	32,182	70,389
Horton Capital Refresh	—	12,500	36	3,885	8,651
Funds held temporarily for redistribution:					
Foundation	96,686	119,775	2,594	83,536	135,519
	$ 645,208	$ 776,873	$ 20,764	$ 581,437	$ 861,408

5. Pension Plan

The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf of the non-teaching employees. The Boards teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

6. Commitments

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2003/2004 will be approximately $188,000 and will increase in subsequent years by the prior year's Consumer Price Index increase for Nova Scotia.

7. Financial Statement Presentation and Comparative Figures

These Financial Statements are presented in the format contained in the Department of Finance School Board Financial Handbook and reflect the structure of the new SAP financial system implemented for 2002-2003. The comparative figures have been restated to conform with this new format.

AUDITOR'S REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 2003
Gallery, Gallery Shop,Product Development and Western Branch	- Balance Sheet as at March 31, 2003
Gallery	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Gallery Shop	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Product Development	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Western Branch	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Endowment Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Phase II Expansion Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Acquisition Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
May 23, 2003

ART GALLERY OF NOVA SCOTIA

Combined Balance Sheet
As at March 31, 2003

ASSETS

	2003	2002
Current		
Cash and cash equivalents (note 2)	$ 240,111	$ 1,055,074
Accounts receivable	119,069	109,273
Prepaids	550	12,500
Inventory	143,951	161,825
	503,681	1,338,672
Investments (note 2 and 5)	2,358,103	2,505,510
	$ 2,861,784	$ 3,844,182

LIABILITIES AND SURPLUS

	2003	2002
Current		
Accounts payable and accrued liabilities	$ 536,388	$ 369,462
Phase II expansion liability	---	1,307,201
Deferred revenue	103,714	---
	640,102	1,676,663
(Deficit) - Gallery	(190,441)	(118,451)
Surplus - Gallery Shop	86,725	134,589
(Deficit) - Product Development	(14,831)	(3,083)
(Deficit) surplus - Western Branch	(115,995)	175,039
Surplus - Endowment Fund	2,349,348	1,848,159
Surplus - Phase II Expansion Fund	124,016	133,286
(Deficit) - Acquisition Fund	(17,140)	(2,020)
	2,221,682	2,167,519
	$ 2,861,784	$ 3,844,182

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery, Gallery Shop, Product Development and Western Branch
Balance Sheet
As at March 31, 2003

	2003	2002
ASSETS		
Current		
Cash and cash equivalents	$ 215,216	$ 332,500
Accounts receivable	114,468	98,305
Due from Endowment Fund	4,820	139,862
Due from Acquisition Fund	42,500	2,500
Prepaids	550	12,500
Inventory	143,951	161,825
	$ 521,505	$ 747,492

LIABILITIES AND SURPLUS

	2003	2002
Current		
Accounts payable and accrued liabilities	$ 531,383	$ 350,448
Due to Phase II Expansion Fund	120,950	193,950
Due to Acquisition Fund	---	15,000
Deferred revenue	103,714	---
	756,047	559,398
(Deficit) - Gallery	(190,441)	(118,451)
Surplus - Gallery Shop	86,725	134,589
(Deficit) - Product Development	(14,831)	(3,083)
(Deficit) surplus - Western Branch	(115,995)	175,039
	(234,542)	188,094
	$ 521,505	$ 747,492

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery
Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2003

	2003	2002
Revenue		
Province of Nova Scotia (note 3)	$ 1,177,000	$ 1,091,283
Sponsorships	205,893	177,277
Grants	166,513	176,118
Other income	83,166	102,974
Admission	78,570	199,979
Donations - AGNS appeal, major gifts	54,648	52,316
Memberships	53,296	65,649
Public Education Programs	50,213	46,586
Special events	48,814	46,178
Corporate Campaign	8,948	19,292
Interest	4,117	3,534
	1,931,178	1,981,186
Expenditures (Schedule)		
Salaries and benefits	771,832	768,128
Building operations	691,235	638,539
Exhibitions and programming	583,585	493,880
Administration	199,072	126,240
Development/public relations	87,120	141,528
Printing and publication	32,760	34,260
Miscellaneous	13,440	6,916
Technology	12,124	12,188
	2,391,168	2,221,679
Contribution from Gallery Shop	50,000	50,000
Contribution from Phase II	123,000	---
Contribution from Endowment Fund	215,000	215,000
	388,000	265,000
Excess of (expenditures over revenue) revenue over expenditures for the year	(71,990)	24,507
Deficit, beginning of year	(118,451)	(142,958)
Deficit, end of year	$ (190,441)	$ (118,451)

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery
Schedule of Expenditures
Year ended March 31, 2003

	2003	2002
Salaries and Benefits		
Salaries and employee benefits	$ 771,832	$ 768,128
	771,832	768,128
Building Operations		
Utilities	227,923	221,340
Security	182,654	177,887
Climate control	100,358	125,342
Building maintenance and cleaning	89,799	63,067
Insurance	53,905	27,386
Building repairs	31,016	13,139
Elevator maintenance	5,580	10,378
	691,235	638,539
Exhibitions and Programming		
Programs	559,008	470,965
Workshop supplies	7,816	8,988
Vehicle	7,739	5,385
Conservation lab	5,677	1,160
Collections management and gallery services	3,345	7,382
	583,585	493,880
Administration		
Stationery and postage	43,830	42,259
Professional fees	62,284	16,845
Travel	34,394	16,874
Telephone	27,942	26,029
Equipment rental	16,455	14,331
Memberships	7,851	5,051
Equipment maintenance	4,665	3,688
Delivery administration	1,651	1,163
	199,072	126,240
Development/public relations		
Development/public relations	87,120	141,528
	87,120	141,528
Printing and Publication		
Printing and publication	32,358	33,513
Photography	402	747
	32,760	34,260
Technology		
Technology	10,341	10,539
Training and development	1,783	1,649
	12,124	12,188
Miscellaneous		
Miscellaneous	8,718	981
Bank charges	4,722	5,935
	13,440	6,916
Total expenditures	$ 2,391,168	$ 2,221,679

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery Shop
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2003

	2003	2002
Revenue		
Art and craft sales	$ 223,909	$ 287,026
Art and craft sales on consignment	79,250	95,416
Books, notes and posters	35,432	30,801
	338,591	413,243
Cost of sales	193,256	246,301
Gross profit	145,335	166,942
Expenditures		
Salaries and employee benefits	95,983	92,965
Office and administration	42,216	40,473
	138,199	133,438
Excess of gross profit over expenditures for the year	7,136	33,504
Surplus, beginning of year	134,589	166,085
Contribution to Gallery	(50,000)	(50,000)
Contribution to Acquisition Fund	(5,000)	(15,000)
Surplus, end of year	$ 86,725	$ 134,589

Product Development
Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2003

	2003	2002
Revenue	$ 134,630	$ 112,077
Cost of sales	84,781	75,235
Gross profit	49,849	36,842
Expenditures		
Salaries and employee benefits	30,294	25,737
Office and administration	11,100	6,567
Members' discount	10,843	4,608
Promotional	9,360	6,889
	61,597	43,801
Excess of expenditures over gross profit for the year	(11,748)	(6,959)
Deficit, beginning of year	(3,083)	3,876
Deficit, end of year	$ (14,831)	$ (3,083)

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Western Branch
Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2003

	2003	2002
Revenue		
Donations	$ 81,828	$ 186,859
Grants (note 3)	98,000	80,000
Fundraising	263	2,119
Interest	467	1,224
	180,558	270,202
Expenditures		
Building capital cost	418,884	72,950
Office and miscellaneous	13,758	17,879
Building operations	38,950	6,165
Building fundraising	---	919
	471,592	97,913
Excess of (expenditures over revenue) revenue over expenditures for the year	(291,034)	172,289
Surplus, beginning of year	175,039	2,750
(Deficit) surplus, end of year	$ (115,995)	$ 175,039

Endowment Fund
Balance Sheet
as at March 31, 2003

	2003	2002
ASSETS (note 4)		
Current		
Cash and cash equivalents	$ 5,852	$ 12,009
Accounts receivable	83	118
Due from Acquisition Fund	---	3,892
Due from Phase II	2,738	---
	8,673	16,019
Investments (notes 2 and 5)	2,358,103	2,505,510
	$ 2,366,776	$ 2,521,529
LIABILITIES AND SURPLUS		
Current		
Accounts payable	$ 1,500	$ 1,632
Due to Gallery	4,820	139,862
Due to Acquisition Fund	11,108	---
	17,428	141,494
Due to Phase II	---	531,876
	17,428	673,370
Surplus		
Restricted	380,000	310,000
Unrestricted	1,969,348	1,538,159
	2,349,348	1,848,159
	$ 2,366,776	$ 2,521,529

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Endowment Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2003

	2003	2002
Revenue (Note 4)		
Investment income	$ 106,510	$ 87,729
Life memberships	10,500	12,375
Restricted donations	—	10,475
Oyler project	—	4,000
Gallery endowments	122,538	3,500
Higgins	725	—
	240,273	118,079
Expenditures (note 4)		
Trustee fees	23,419	25,574
Administration	1,600	10,903
Promotion and public relations	7,044	8,368
Donor restricted projects	8,642	7,329
Printing and postage	—	6,000
Miscellaneous	255	4,153
Receptions	—	1,169
	40,960	63,496
Contributions from Phase II	531,876	—
Excess of revenue over expenditures for the year	731,189	54,583
Surplus, beginning of year	1,848,159	2,023,576
Contribution to Gallery	(215,000)	(215,000)
Contribution to Acquisition Fund	(15,000)	(15,000)
Surplus, end of year	2,349,348	1,848,159
Less: restricted surplus	(380,000)	(310,000)
Unrestricted surplus, end of year	$ 1,969,348	$ 1,538,159

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Phase II Expansion Fund
Balance Sheet
as at March 31, 2003

	2003	2002
ASSETS		
Current		
Cash	$ 4,010	$ 667,653
Due from Gallery	120,950	193,950
Due from Acquisition Fund	---	50,000
Accounts receivable	3,799	430
	128,759	912,033
Due from Endowment Fund	---	531,876
	$ 128,759	$ 1,443,909
LIABILITIES AND SURPLUS		
Current		
Accounts payable	$ 2,005	$ 3,422
Due to Endowment Fund	2,738	—
Phase II expansion liability (note 6)	---	1,307,201
	4,743	1,310,623
Surplus	124,016	133,286
	$ 128,759	$ 1,443,909

Phase II Expansion Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2003

	2003	2002
Revenue		
Pledges and donations	$ 45,700	$ 162,377
Grants (note 3)	130,000	—
Investment income	29,769	46,164
	205,469	208,541
Expenditures		
Capital expenses	91,709	98,309
Furniture and fixtures	16,014	23,216
Trustee fees	6,397	6,527
Fundraising expenses	3,300	5,328
	117,420	133,380
Excess of revenue over expenditures for the year	88,049	75,161
Surplus (deficit), beginning of year	133,286	(654,875)
Contribution to Gallery	(123,000)	---
Contribution to Endowment	(531,876)	---
Phase II expansion liability forgiveness (note 6)	557,557	713,000
Surplus, end of year	$ 124,016	$ 133,286

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Acquisition Fund
Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 15,033	$ 42,912
Accounts receivable	719	10,420
Due from Gallery Shop	—	15,000
Due from Endowment	11,108	—
	$ 26,860	$ 68,332

LIABILITIES AND SURPLUS

	2003	2002
Current		
Accounts payable	$ 1,500	$ 13,960
Due to Phase II	—	50,000
Due to Endowment Fund	—	3,892
Due to Gallery	42,500	2,500
	44,000	70,352
Deficit	(17,140)	(2,020)
	$ 26,860	$ 68,332

Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2003

	2003	2002
Revenue		
Donations:		
Art Sales and Rental Society	$ 30,000	$ 75,000
Other	47,282	13,110
Friends of the Gallery	9,000	6,500
Grants (note 3)	2,200	29,900
AGNS Appeal	5,100	17,250
	93,582	141,760
Expenditures		
Acquisitions	103,205	153,270
Appraisal and professional fees	14,174	15,082
Insurance	10,000	5,000
Shipping	314	1,703
Promotion	600	1,628
Administration	180	580
Miscellaneous	42	312
Permanent collection exhibit	—	179
Bank charges	187	40
	128,702	177,794
Contribution from Endowment Fund	15,000	15,000
Contribution from Gallery Shop	5,000	15,000
	20,000	30,000
Excess of expenditures over revenue for the year	(15,120)	(6,034)
Deficit (surplus), beginning of year	(2,020)	4,014
Deficit, end of year	$ (17,140)	$ (2,020)

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Notes to Financial Statements
as at March 31, 2003

1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conversation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Imperial Oil Charitable Foundation, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following seven groupings:

The AGNS Gallery Fund supports the day to day operations of the Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the AGNS Acquisition Fund is to purchase works of art for the Gallery and cover costs associated with acquiring these works.

The AGNS Endowment Fund exists to support and manage all of the investments for the long term survival of the Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

The AGNS Phase II Fund was established in 1998 when the Gallery began expansion into the Provincial Building. This fund will cease to exist when all pledges towards the project have been received.

The AGNS Western Branch Fund is primarily a capital fund with the purpose of completing the construction of the Western Branch in Yarmouth.

The AGNS Gallery Shop serves dual purposes, firstly it is an excellent showcase for AGNS branded products developed around major traveling exhibitions. Secondly, to extend the educational experience of our visitors exposing them to the best that Nova Scotia has to offer in fine craft and art. The sale of products also provides financial support to artists and craftspeople. Funds generated support acquisitions of art work for the Gallery and other special need projects.

AGNS Product Development was established to develop and market AGNS branded projects under various copyrights and provide an opportunity for AGNS to license its intellectual property. Revenues from this fund will be directed to special projects as determined by the Gallery.

Cash and equivalents

Cash and equivalents are cash and short term liquid investments with a maturity of 90 days or less.

Inventory

Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

Investments

Investments are recorded at cost. Income is recognized on the settlement date.

Revenue recognition

Revenue from donations, life memberships and investment income is recognized when the cash is received. All other revenue is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to $103,205 (2002 - $153,270).

Other income

Other income includes revenue from rental spaces, catalogue sales, advertising and gallery services.

Contributed service

Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded as follows:

	2003	2002
Gallery Fund:		
Nova Scotia Department of Tourism and Culture	$ 1,177,000	$ 1,091,283
Canada Council for the Arts	120,000	120,000
Young Canada Works	17,100	---
Federal Department of Canadian Heritage	4,865	27,000
Halifax Regional Municipality	---	25,500
	1,318,965	1,263,783
Western Branch Fund:		
Nova Scotia Department of Tourism and Culture	63,000	80,000
Town of Yarmouth	25,000	---
Municipal District of Yarmouth	10,000	---
	98,000	80,000
Acquisition Fund:		
Canada Council for the Arts	---	29,900
Federal Department of Canadian Heritage	2,200	---
	2,200	29,900
Phase II Expansion Fund:		
Halifax Regional Municipality	130,000	---
	$ 1,549,165	$ 1,373,683

4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of $500,000 has been accumulated shall be available for the purpose of:

a) the acquisition of artworks for the permanent collection;
b) the expansion of exhibition and art education programs; and
c) other special projects.

The funds which will be placed in the Endowment Fund will be:
a) donations designated as such by the donor;
b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
c) any funds specifically designated by the Board of Governors.
Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	2003		2002	
	Cost	Market Value	Cost	Market Value
Endowment Fund				
Equity	$ 2,358,103	$ 2,457,229	$ 2,505,510	$ 3,144,684
	$ 2,358,103	$ 2,457,229	$ 2,505,510	$ 3,144,684

6. Phase II Expansion Liability Forgiveness

The AGNS received $713,000 in debt forgiveness in 2002 from the department of Tourism and Culture relating to the construction work done on the Phase II expansion. The forgiveness directly reduced the deficit created as 'a result of the construction as the related expenditures were recorded in prior years. The amount includes $61,376 of amounts previously in dispute and recorded as capital expenses in the current year.

In the current year, AGNS completed an agreement that released Phase II from an additional $557,557 in debt relating to the expansion. As a condition of this agreement AGNS paid the remaining liability of $749,644 to the department of Transportation and Public Works in April, 2002.

7. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

AUDITORS' REPORT

To the Shareholders of
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of BioScience Enterprise Centre Incorporated as at March 31, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Dartmouth, Nova Scotia
June 25, 2003

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Earnings and Retained Earnings
Year Ended March 31, 2003

	2003	2002
Revenue		
Government contributions (Note 5)	$ —	$ 100,000
Rent and amortization of deferred leasehold contribution	437,759	341,725
Amortization of government contributions	236,487	219,945
Business services	167,799	147,734
Other	9,348	17,829
	851,393	827,233
Expenses		
Advertising and promotion	3,146	1,129
Bad debt expense	704	38,833
Communications	36,093	34,276
Depreciation	236,487	219,945
Information resources	452	414
Interest and bank charges	331	574
Materials	14,361	12,652
Miscellaneous	16,058	17,860
Outside services	77,716	60,637
Professional development	9,336	5,057
Rent	20,542	20,542
Repairs and maintenance	36,378	35,330
Salaries and benefits	254,130	230,048
Travel	9,546	10,717
Utilities	114,150	93,432
	829,430	781,446
Net earnings	$ 21,963	$ 45,787
Retained earnings (deficit), beginning of the year	$ 6,565	$ (39,222)
Net earnings	21,963	45,787
Retained earnings, end of year	$ 28,528	$ 6,565

See accompanying notes to financial statements

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Cash	$ 11,871	$ 10,761
Government contributions receivable	62,823	151,201
Other receivables	114,139	248,007
Capital assets (Note 3)	1,363,074	1,407,186
	$ 1,551,907	$ 1,817,155
LIABILITIES		
Payables and accruals	$ 106,446	$ 281,497
Deferred leasehold contribution	53,858	121,906
Deferred government contributions	1,363,074	1,407,186
	1,523,378	1,810,589
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	1	1
Retained earnings	28,528	6,565
	28,529	6,566
	$ 1,551,907	$ 1,817,155

Commitment (Note 7)

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 21,963	$ 45,787
Depreciation	236,487	219,945
Amortization of government contributions	(236,487)	(219,945)
Amortization deferred leasehold contribution	(68,049)	(59,173)
	(46,086)	(13,386)
Changes in non-cash operating working capital		
Receivables	154,197	100,323
Payables and accruals	(175,050)	(114,632)
	(66,939)	(27,695)
Financing		
Deferred leasehold contribution	—	20,246
Government assistance to finance capital assets	192,375	108,216
	192,375	128,462
Investing		
Purchase of capital assets	(192,375)	(108,216)
Long term receivable, net	68,049	(8,987)
	(124,326)	(117,203)
Net increase (decrease) in cash and cash equivalents	1,110	(16,436)
Cash and cash equivalents		
Beginning of year	10,761	27,197
End of year	$ 11,871	$ 10,761

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Notes to theFinancial Statements
March 31, 2003

1. Nature of operations

The Company development and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Axt.

2. Summary of significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Architectural design	10 year, straight line
Leaseholds	10 year, straight line

(b) Government contributions

Government contributions used for the acquisition of capital assets are deferred and recognized as income on the same basis as the related assets are depreciated. The operating portion of government contributions are recognized as income in the year the related expenditures are incurred.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

(d) Use of estimates

In preparing BioScience Enterprise Centre Incorporated's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Capital Assets

			2003	2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Architectural design	$ 611,152	$ 250,946	$ 360,206	$ 404,673
Equipment	65,877	32,037	33,840	36,282
Computer equipment	38,772	26,015	12,757	15,738
Furniture	64,227	32,766	31,461	35,523
Leaseholds.................	1,427,832	503,022	924,810	914,970
	$ 2,207,860	$ 844,786	$ 1,363,074	$ 1,407,186

4. Related party transactions

Entity	Relationship	Sales To	Purchases From	Year End Payable
InNOVAcorp (1)	Sister	$ 708	$ 64,788 (1)	$ 37,750
Waterfront Development Corporation Limited (2) ...	Sister	$ —	$ 25,417(2)	$ 1,275

(1) Management fees.

(2) Rent based on the cost of borrowing of the related party.

5. Government contibutions

The Company receives funding from the Economic Diversification Agreement for its operating activities and acquisition of capital assets. Details are as follows:

	2003	2002
Funding from Economic Diversification Agreement.	$ 192,375	$ 208,216
Less: Funding used to finance capital assets	192,375	108,216
Funding for operations	$ —	$ 100,000

6. Capital stock

	2003	2002
Authorized		
100,000 common shares with no par value		
Issued and outstanding		
1 common shares	$ 1	$ 1

7. Commitment

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited. The lease requires annual minimum rent of $20,542 from October 1998 to October 2003. The lease specifies a renewal option for an additional five year term.

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton District Health Authority

We have audited the statement of financial position of the Cape Breton District Health Authority as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
July 25, 2003

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003, with comparative figures for 2002

ASSETS

	2003	2002
Current Assets:		
Cash	$ 6,786,029	$ 2,871,287
Internally restricted cash	160,945	160,945
Accounts receivable (note 2)	19,179,397	22,360,497
Inventories (note 4)	2,827,229	2,372,238
Prepaid expenses	93,671	197,682
	29,047,271	27,962,649
Capital assets (note 5):		
Cost	253,444,997	249,900,972
Less accumulated amortization	99,979,440	90,414,898
	153,465,557	159,486,074
Other assets (note 7):		
Due from Department of Health for retirement allowance	10,103,232	9,707,969
	$ 192,616,060	$ 197,156,692

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

	2003	2002
Current liabilities:		
Accounts payables and accrued liabilities (note 6)	$ 26,714,228	$ 28,972,343
Deferred contributions for capital assets (note 8)	155,213,262	157,885,162
Other liabilities:		
Retirement allowance payable (note 7)	10,103,232	9,707,969
Net assets :		
Unrestricted (deficiency)	(320,583)	(1,170,639)
Restricted (note 1 (c))	160,945	160,945
Investment in capital assets (note 9)	744,976	1,600,912
	585,338	591,218
	$ 192,616,060	$ 197,156,692

Contingencies (note 11)

See accompanying notes to the financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2003, with comparative figures for 2002

	Shareable	Non-Shareable	Total 2003	Total 2002
Income:				
Net patient income:				
Provincial Plan	$ 149,518,612	$ 895,399	$ 150,414,011	$ 139,844,140
Other	10,593,203	1,005,847	11,599,050	10,756,435
Medical service insurance	4,620,761	---	4,620,761	6,624,203
Net differential	1,463,917	(61,796)	1,402,121	1,637,171
Dietary recoveries	1,302,802	---	1,302,802	1,261,968
Miscellaneous	412,807	304,979	717,786	555,473
Investment income	---	36,867	36,867	112,329
Referred in work	55,365	---	55,365	56,832
Equipment grant	---	35,312	35,312	38,508
	167,967,467	2,216,608	170,184,075	160,887,059
Expenses:				
Nursing inpatient services	60,426,164	784,725	61,210,889	61,228,394
Support services	44,150,386	---	44,150,386	40,501,739
Diagnostic and therapeutic services	30,340,662	---	30,340,662	29,454,323
Ambulatory care services	28,062,480	---	28,062,480	25,360,155
Addiction services	3,451,504	---	3,451,504	3,343,458
Public health	2,952,712	---	2,952,712	2,818,332
Education	520,043	---	520,043	586,703
Retirement allowance	---	895,399	895,399	468,955
	169,903,951	1,680,124	171,584,075	163,762,059
Net operating position before deficit funding			(1,400,000)	(2,875,000)
Deficit funding received from Department of Health			1,400,000	2,875,000
Excess of revenue over expenditures before below noted items			---	---
Amortization of deferred contributions related to capital assets (note 9(b))			9,558,638	9,353,712
Amortization of capital assets (note 9(b))			(9,564,518)	(9,443,985)
Excess of expenditure and revenue			$ (5,880)	$ (90,273)

See accompanying notes to financial statements

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2003, with comparative figures for 2002

	Unrestricted	Restricted	Investment in Capital Assets	Total 2003	Total 2002
Balance, beginning of year	$ (1,170,639)	$ 160,945	$ 1,600,912	$ 591,218	$ 681,491
Excess of expenditure over revenue	—	—	(5,880)	(5,880)	(90,273)
Net change in investment in capital assets (note 9)	850,056	—	(850,056)	—	—
Balance, end of year	$ (320,583)	$ 160,945	$ 744,976	$ 585,338	$ 591,218

Statement of Cash Flows
Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess of expenditure over revenue	$ (5,880)	$ (90,273)
Items not involving cash:		
Amortization of capital assets	9,564,518	9,443,985
Amortization of deferred contributions related to capital assets	(9,558,638)	(9,353,712)
Retirement allowance	—	(468,955)
Department of Health funding for retirement allowance	—	468,955
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	3,181,100	(3,757,230)
Increase in inventories	(454,991)	(32,385)
Decrease in prepaid expenses	104,011	304,670
Increase (decrease) in accounts payable and accrued liabilities	(2,258,115)	904,524
	572,005	(2,580,421)
Financing and investing activities:		
Purchases of capital assets	(3,544,001)	(3,218,700)
Contribution for capital assets	6,886,738	3,190,508
	3,342,737	(28,192)
Increase (decrease) in cash	3,914,742	(2,608,613)
Cash, beginning of year	3,032,232	5,640,845
Cash, end of year	$ 6,946,974	$ 3,032,232
Cash is represented by the following:		
Cash internally restricted	$ 160,945	$ 160,945
Cash	6,786,029	2,871,287
	$ 6,946,974	$ 3,032,232

See accompanying notes to the financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements
Year ended March 31, 2003

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation abolished Regional Health Boards and replaced them with Health Authorities. The effects on the former Cape Breton Healthcare Complex are as follows: Cape Breton Regional Hospital, Glace Bay Healthcare Corporation, New Waterford Consolidated Hospital, Northside Harbour View Hospital, Inverness Consolidated Memorial Hospital, Sacred Heart Healthcare Centre, Victoria County Memorial Hospital and Buchanan Memorial Healthcare Centre form District Health Authority #8. As a result of this legislation, the Cape Breton Healthcare Complex ceased operations effective December 31, 2000 and was replaced by District Health Authority #8 on January 1, 2001.

District Health Authority #8 changed its name to operate as Cape Breton District Health Authority.

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

1. **Significant accounting policies:**

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) **Revenue recognition:**

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) **Inventories:**

Inventories are stated at cost.

(c) **Restricted:**

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

(d) **Capital assets:**

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%
Equipment under capital lease	10% - 20%

2. Accounts receivable:

	2003	2002
Patients (less allowance for doubtful accounts)	$ 1,026,368	$ 908,707
Medical service insurance	346,742	288,984
Department of Community Services	---	30,495
Level 11 Care (less allowance for doubtful accounts)	581,803	582,369
Harmonized sales tax	1,057,173	1,052,687
Hospital Foundations (note 10)	887,535	783,586
Veterans	394.686	170,468
Sundry	4,890,855	3,156,688
Guysborough Antigonish Strait Health Authority	201,151	142,923
Department of Health (note 3):		
Estimated year end adjustment	2,295,399	3,322,790
Capital funding	1,600,000	798,675
Vacation accrual	6,149,571	5,608,548
Addiction Services and Public Health	15,245	883,538
Contract settlement	(578,259)	4,630,039
Other	311,128	
	$ 19,179,397	$ 22,360,497

3. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2003	2002
Accounts receivable (payable):		
Retirement allowance (note 7)	$ 10,103,232	9,707,969
Estimated year end adjustment	1,400,000	2,875,000
Capital funding	1,600,000	798,675
Vacation accrual	6,149,571	5,608,548
Addiction Services and Public Health	15,245	883,538
Contract settlement	(578,259)	4,630,039
Other	311,128	---
2002/2003 retirement payouts	895,399	447,790
	$ 19,896,316	$ 24,951,559

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period which settlement occurs.

4. Inventories:

	2003	2002
Medical and surgical	$ 551,960	$ 507,631
Drugs	1,110,295	779,574
Food	67,146	74,885
General	1,097,828	1,010,148
	$ 2,827,229	$ 2,372,238

5. Capital assets:

	2003	2002
Land	$ 570,230	$ 570,230
Land improvements	2,091,610	2,277,640
Buildings and service equipment	136,233,579	140,804,971
Equipment	14,570,138	15,833,233
	$ 153,465,557	$ 159,486,074

6. Accounts payable and accrued liabilities:

	2003	2002
Accounts payable	$ 8,524,446	$ 8,317,194
Due to Department of Health:		
Advances by Provincial Plan - current	5,706,731	5,706,731
Employee deductions payable	2,732,221	245,582
Accrued salaries:		
Salaries	4,435,940	7,582,193
Vacation pay accrual	3,291,308	5,376,012
Other accruals	1,084,833	770,570
Department of Health new hospital construction	938,749	938,749
Payable for equipment	—	35,312
	$ 26,714,228	$ 28,972,343

7. Retirement allowance:

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities, the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2003 along with a projection of the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request, the District Health Authority has recorded the following in respect of retiring allowances accrued up to March 31, 2003:

	2003	2002
Opening balance	$ 9,707,969	$ 10,176,924
Retiring allowance expense computed with reference to the actuarial projection of expense for the period	1,221,263	1,161,168
Actuarial allocation adjustment	—	(1,130,123)
Retirement allowance payouts (estimated)	(826,000)	(500,000)
Funding receivable from the Department for the actual projected liability	$ 10,103,232	$ 9,707,969

8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2003	2002
Balance beginning of year	$ 157,885,162	$ 164,048,366
Additional contributions received	6,886,738	3,190,508
Less amounts amortized to revenue	(9,558,638)	(9,353,712)
	$ 155,213,262	$ 157,885,162

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003	2002
Unamortized capital contributions used to purchase assets	$ 152,720,581	$ 157,885,162
Unspent contributions	2,492,681	
	$ 155,213,262	$ 157,885,162

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 153,465,557	$ 159,486,074
Amounts financed by:		
Deferred contributions - spent	152,720,581	157,885,162
	$ 744,976	$ 1,600,912

b) Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 9,558,638	$ 9,353,712
Amortization of capital assets	9,564,518	9,443,985
	$ (5,880)	$ (90,273)
Net change in investment in capital assets:		
Capital assets acquired	$ 3,544,001	$ 3,218,700
Amounts funded by deferred contributions	4,394,057	3,190,508
	$ (850,056)	$ 28,192

10. Related party transactions:

The Hospital is related to the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Hospital.

As at March 31, 2003 the following amounts were due from the Foundations with comparative figures:

	2003	2002
Cape Breton Regional Hospital Foundation	$ 187,895	$ 118,661
Northside Hospital Charitable Foundation	38,648	45,905
Inverness Consolidated Memorial Hospital Foundation	196,961	49,639
Buchanan Memorial Hospital Foundation	464,031	499,031
New Waterford Consolidated Charitable Foundation	---	70,350
	$ 887,535	$ 783,586

11. Contingencies:

Law suits:

The Health Authority has been named a defendant in several law suits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that the Province of Nova Scotia, Department of Health and Community Services, will provide the necessary funding to meet obligations, if any, which may result from the legal actions.

12. Comparative figures:

Certain March 31, 2002 figures have been reclassified to conform to the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Chairperson and Members
Cape Breton -Victoria Regional School Board
George Street
Sydney, Nova Scotia

We have audited the balance sheets of the Cape Breton-Victoria Regional School Board as at March 31, 2003, and the statement of operations for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2003, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles established for school boards in the Province of Nova Scotia.

ROACH PERRY ANDERSON
Chartered Accountants

Sydney, Nova Scotia
June 16, 2003

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Financial Assets		
Accounts receivable		
Province of Nova Scotia (Note 2)	$ 4,133,333	$ 815,771
First Nation	269,523	502,796
Government of Canada (Note 3)	521,407	404,436
Other	633,065	365,701
Prepaid expenses	656,294	608,308
Cash restricted for teachers service award	3,874	3,874
	6,217,496	2,700,886
Other Assets		
Deferred Service Awards (Note 4)	4,231,268	3,828,695
Restricted Assets		
Cash and investments - Scholarships	376,173	380,842
Fixed Assets (Note 5)		
School buildings, land	56,096,215	56,096,215
Interest in properties	16,741,646	16,135,801
Equipment and furnishings	13,063,171	13,063,171
School buses and maintenance vehicles	9,017,668	9,116,977
Assets under capital leases	137,151	137,151
	95,055,851	94,549,315
	$ 105,880,788	$ 101,459,738

LIABILITIES

	2003	2002
Liabilities		
Bank Indebtedness	$ 553,472	$ 837,475
Payables and Accruals - Trade	4,043,425	949,143
Deferred Revenues	943,852	550,936
	5,540,749	2,337,554
Other Liabilities		
Teachers' Service Awards, In Trust	3,874	3,874
Teachers' Training Fund	50,000	50,000
Service Awards	4,231,268	3,828,695
	4,285,142	3,882,569
	9,825,891	6,220,123

EQUITY

	2003	2002
Reserves		
Scholarship trust fund reserve	376,173	380,842
Surplus	622,873	309,458
Investment in capital assets	95,055,851	94,549,315
	95,678,724	94,858,773
	$ 105,880,788	$ 101,459,738

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Operating Fund Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Financial Assets		
Accounts Receivable		
Province of Nova Scotia (Note 3)	$ 4,133,333	$ 815,771
First Nation	269,523	502,796
Government of Canada	521,407	404,436
Other	633,065	365,701
Prepaid expenses	656,294	608,308
Cash restricted for teachers' service awards	3,874	3,874
	6,217,496	2,700,886
Other assets		
Deferred Service Awards (Note 4)	4,231,268	3,828,695
	$ 10,448,764	$ 6,529,581

LIABILITIES

	2003	2002
Liabilities		
Bank Indebtedness	$ 553,472	$ 837,475
Payables and Accruals - Trade	4,043,425	949,143
Deferred Revenues	943,852	550,936
	5,540,749	2,337,554
Other Liabilities		
Teachers' Service Awards, In Trust	3,874	3,874
Teacher Training Fund	50,000	50,000
Service Awards	4,231,268	3,828,695
	4,285,142	3,882,569
	9,825,891	6,220,123

EQUITY

	2003	2002
Surplus	622,873	309,458
	$ 10,448,764	$ 6,529,581

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Operations
Year ended March 31, 2003

	2003	2003	2002
	Budget	Actual	Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 99,606,962	$ 101,488,456	$ 99,875,317
Government of Canada	195,000	153,647	181,782
First Nation Tuition Revenue	717,000	841,903	717,260
Municipal Contributions	11,222,100	11,222,075	11,378,972
Other Revenues	3,208,893	4,067,514	3,076,369
Surplus - Prior Year	309,458	309,458	---
	115,259,413	118,083,053	115,229,700
Transfer from reserve	35,000	---	107,765
	115,294,413	118,083,053	115,337,465
Expenditures (Schedule B)			
Board Governance	271,638	263,934	269,707
Regional Management	2,476,548	2,423,117	2,413,522
School Management & Support	12,202,927	12,005,563	11,370,656
Instructional & School Services	68,771,370	68,768,078	69,018,092
Student Support	11,910,696	11,815,798	10,803,301
Adult & Community Education	596,672	562,714	514,024
Property Services	11,951,542	14,410,793	12,682,563
Student Transportation	5,164,133	5,138,390	4,937,226
Other Programs	1,948,887	2,071,793	2,023,087
Deficit - Prior Year	---	---	995,829
	115,294,413	117,460,180	115,028,007
Annual Operating Surplus	$ ---	$ 622,873	$ 309,458

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Surplus
Year ended March 31, 2003

		2003		2002
Surplus (Deficit), Beginning of Year	$	309,458	$	(995,829)
Surplus (Deficit) Transferred to Current Operations		(309,458)		995,829
		---		---
Excess of Revenue over Expenditure		622,873		309,458
Surplus, End of Year	$	622,873	$	309,458

Capital Fund Balance Sheet
March 31, 2003

ASSETS

		2003		2002
Fixed assets (Note 5)				
School buildings, land	$	56,096,215	$	56,096,215
Interest in properties		16,741,646		16,135,801
Equipment and furnishings		13,063,171		13,063,171
School buses and maintenance vehicles		9,017,668		9,116,977
Assets under capital leases		137,151		137,151
	$	95,055,851	$	94,549,315

EQUITY

		2003		2002
Investment in Capital Assets	$	95,055,851	$	94,549,315

Statement of Investment in Capital Assets
Year ended March 31, 2003

		2003		2002
Balance, beginning of year	$	94,549,315	$	91,315,699
Capital purchases funded from operations:				
Interest in properties		605,845		1,714,717
Equipment and furnishings		---		794,971
School buses and maintenance vehicles		207,202		1,404,746
		813,047		3,914,434
		95,362,362		95,230,133
Retirement of school buses and vehicles		(306,511)		(680,818)
Balance, end of year	$	95,055,851	$	94,549,315

See accompanying notes to financial statements.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Scholarship Trust Fund Balance sheet
March 31, 2003

	2003	2002
ASSETS		
Cash and investments	$ 376,173	$ 380,842

RESERVE FOR SCHOLARSHIPS

	2003	2002
Rossetti Scholarship	$ 161,938	$ 163,791
Townsend Scholarship	1,023	1,010
McDonagh Scholarship	5,232	5,121
Panagiotakos Scholarship	9,164	9,026
McQuarrie Scholarship	3,198	3,206
Annie Hall Scholarship	2,031	2,018
C.J.C.B. Scholarship	4,475	4,386
Daniel Munroe Scholarship	3,118	3,201
John D. MacLeod Scholarship	1,025	1,048
Annie Bell Grady Memorial	20,643	21,113
T.L. Sullivan Memorial	2,047	2,098
Mary Elizabeth Brennan Scholarship	2,355	2,405
William Hillchie Memorial	3,107	3,142
Isabel MacDermid Memorial	3,407	3,329
Wendell Coldwell Memorial	2,047	2,103
Jon David Corbett	3,072	3,147
Leonard Matheson	1,394	1,415
Ellen Dunn Balah	4,745	5,139
George MacKay Bursary	142,152	144,144
	$ 376,173	$ 380,842

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Scholarship Trust Fund Reserve
Year ended March 31, 2003

	Rossetti	Townsend	McDonagh	Panagiotakos	McQuarrie	Annie Hall	CJCB	Munro
Balance, beginning of year	$ 163,792	$ 1,010	$ 5,122	$ 9,026	$ 3,206	$ 2,018	$ 4,385	$ 3,202
Interest earned	2,296	58	310	538	172	113	90	66
	166,088	1,068	5,432	9,564	3,378	2,131	4,475	3,268
Scholarship awarded	4,150	45	200	400	180	100	—	150
Balance, end of year	$ 161,938	$ 1,023	$ 5,232	$ 9,164	$ 3,198	$ 2,031	$ 4,475	$ 3,118

	MacLeod	Grady	Sullivan	Brennan	Hillchie	MacDermid	Coldwell
Balance, beginning of year	$ 1,048	$ 21,114	$ 2,098	$ 2,405	$ 3,142	$ 3,328	$ 2,103
Interest earned	22	429	44	50	65	179	44
	1,070	21,543	2,142	2,455	3,207	3,507	2,147
Scholarship awarded	45	900	95	100	100	100	100
Balance, end of year	$ 1,025	$ 20,643	$ 2,047	$ 2,355	$ 3,107	$ 3,407	$ 2,047

	Corbert	Matheson	Dunn Balah	MacKay	2003 Total	2002 Total
Balance, beginning of year	$ 3,147	$ 1,415	$ 5,139	$ 144,142	$ 380,842	$ 383,515
Interest earned	65	29	106	1,983	6,659	19,093
	3,212	1,444	5,245	146,125	387,501	402,608
Scholarship awarded	140	50	500	3,973	11,328	21,766
Balance, end of year	$ 3,072	$ 1,394	$ 4,745	$ 142,152	$ 376,173	$ 380,842

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Notes to Financial Statements
Year ended March 31, 2003

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

(A) Financial Statement Presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(B) Revenue and Expenditures Recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis except for principal and interest payments relating to term debt, which are recorded as an expense when paid. Fixed assets acquired with operating funds are recorded as an expenditure when incurred. Employee salaries are not accrued and only amounts paid during the fiscal year are recorded as expenses.

(C) Fixed Assets:

Fixed assets are recorded at cost. Funds received through capital assistance programs are treated as additions to the investment in capital assets. The interest in school properties reflects only those capital expenditures made since the formation of the Cape Breton District School Board. Furniture and equipment purchased prior to January 1, 1982, have not been recorded in the capital fund. The School Board does not record depreciation on its fixed assets.

2. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA

	2003	2002
TCA Capital	$ 237,679	$ ---
Special Capital Project	219,489	---
Information Economy Initiative	90,480	---
Staff salary increase	2,909,019	544,893
Sabbaticals	228,846	---
Renovation South End Community Centre	120,000	120,000
Library Books/ Materials P-3 Schools/Boularderie	---	55,969
Gas Tax Rebate	41,739	33,045
MacDonald High	179,131	---
Other	106,950	61,864
	$ 4,133,333	$ 815,771

3. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA

	2003	2002
Harmonized sales tax	$ 404,867	$ 240,939
French Minority/French Special Projects	116,540	122,005
Other	---	41,492
	$ 521,407	$ 404,436

4. DEFERRED SERVICE AWARDS

Beginning April 1, 2002, the Province of Nova Scotia is assuming responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements and School Board Policy. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards at March 31, 2002.

5. FIXED ASSETS

On January 1, 1982, the Municipality of the County of Cape Breton, the City of Sydney and the Towns of Louisbourg, Dominion, New Waterford and Glace Bay formed the Cape Breton District School Board. Under the agreement, all land and school buildings on hand at December 31, 1981, remain assets of the municipal unit but will be under the operational control of the District School Board until such time as the Board no longer requires the assets for school purposes. At that time, control will revert back to the municipality.

In 1970 the former Northside Victoria District School Board acquired title to certain land and buildings from its supporting municipalities, which were to be offered back to the municipalities at no cost if they were ever declared surplus by the Board. With the amalgamation of the two Boards, the agreements with municipalities for land and school buildings remains unchanged.

As a result of improvements made to school buildings, the Cape Breton-Victoria Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the Regional School Board under the circumstances noted above, a portion of the proceeds will be payable to the Regional School Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the Regional School Board.

6. DEFERRED TEACHERS' SALARIES

Under the terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2003, the Board had $609,235 ($725,585 at March 31, 2002) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

7. PENSION PLANS

The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff are covered by a money-purchase pension plan.

8. INSURANCE

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

9. RELATED PARTY TRANSACTIONS

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments,
- P-3 school and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

10. COMPARATIVE FIGURES

The presentation of certian accounts of the previous year, presented for comparative purposes, has been changed to conform with the presentation adopted for the current year.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Province of Nova Scotia			
Operating	$ 90,379,600	$ 91,270,579	$ 87,722,004
Restricted	7,716,500	7,716,500	7,671,200
Capital	90,000	---	---
Emergency Capital	395,200	1,255,700	1,836,756
Other	1,025,662	914,284	2,645,357
Recoveries - MacDonald High	---	331,393	---
Total Province of Nova Scotia	$ 99,606,962	$ 101,488,456	$ 99,875,317
Other Revenues			
Board Generated - Other	1,563,932	1,590,987	1,683,860
Other Revenue - Schools	701,220	726,844	680,959
Tuition - Students	260,000	370,883	192,100
Rentals	39,000	46,737	39,367
Investment Interest	150,000	104,066	154,445
Insurance Recoveries	---	595,914	---
Sale of Assets	9,939	21,271	19,024
Grants - Non-Governmental	484,802	610,812	614,724
Unrealized Rev. (Sal. Con.)	---	---	(308,110)
Total Other Revenue	$ 3,208,893	$ 4,067,514	$ 3,076,369

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Board Governace			
Salaries, Wages and Employee Benefits	150,580	151,502	157,997
Office Supplies	5,000	6,479	3,479
Meterage/In Service/Conference/Meetings	42,400	31,715	32,216
NSSBA Dues	73,658	74,238	76,015
Total Board Goverance	$ 271,638	$ 263,934	$ 269,707
Regional Management			
Salaries, Wages and Employee Benefits	1,865,170	1,859,789	1,696,376
Supplies, Materials & Equipment	195,462	174,885	143,048
Telephone	49,200	44,867	44,226
Meterage/In Service/ Conference/ Meetings	48,800	47,187	46,293
Insurance	85,816	88,310	63,568
Professional Fees	175,000	134,018	354,406
Other	57,100	74,061	65,605
Total Regional Management	$ 2,476,548	$ 2,423,117	$ 2,413,522
School Management & Support			
Salaries, Wages and Employee Benefits	11,407,361	11,281,102	10,968,826
Supplies, Materials & Equipment	195,920	124,015	45,838
Professional Development	578,846	578,846	340,356
Meterage/In Service/Conference/Meetings	20,800	21,600	15,636
Total School Management	$ 12,202,927	$ 12,005,563	$ 11,370,656
Instructional & School Services			
Salaries, Wages and Employee Benefits	65,661,405	65,773,927	66,038,441
Supplies, Materials & Equipment	1,517,665	1,331,762	1,394,452
Telephone	396,600	439,788	378,709
Circuit Meterage	155,000	189,827	147,981
French Minority	47,000	37,581	34,409
Textbook Credit Allocation	993,700	995,193	1,024,100
Total Instruction	$ 68,771,370	$ 68,768,078	$ 69,018,092
Student Support			
Salaries, Wages and Employee Benefits	11,855,463	11,787,999	10,749,016
Supplies, Materials & Equipment	55,233	27,799	54,285
Total Student Support	$ 11,910,696	$ 11,815,798	$ 10,803,301

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Adult & Community Education			
Adult Day School	517,294	484,464	440,540
Adult Night School	79,378	78,250	73,484
Total Adult Education	$ 596,672	$ 562,714	$ 514,024
Property Services			
Salaries, Wages and Employee Benefits	5,266,317	5,293,072	4,847,077
Supplies, Materials & Equipment	915,000	959,101	1,003,316
Utilities & Fuel	3,644,544	3,773,507	3,386,863
Meterage/In Service/ Conference/Meetings	25,000	25,780	12,989
Contracted Services	542,172	673,952	701,188
Rental of Facilities	247,217	281,811	259,037
Insurance	426,092	424,884	315,624
Vehicle Operating	70,000	116,410	69,306
Operating & TCA Capital	815,200	1,925,510	2,087,163
Recoverable extrodinary expenses	---	936,766	---
Total Property Services	$ 11,951,542	$ 14,410,793	$ 12,682,563
Student Transportation			
Salaries, Wages and Employee Benefits	3,413,396	3,431,470	3,285,910
Vehicle Operating	1,505,037	1,428,404	1,402,073
Meterage/In Service/Conference/Meetings	21,500	24,820	17,583
Contract Conveyance	218,200	241,990	225,820
Other	6,000	11,706	5,840
Total Student Transportation	$ 5,164,133	$ 5,138,390	$ 4,937,226
Other Programs			
Summer School	23,000	25,475	5,855
Cafeteria	611,220	653,851	597,372
Grant Expenditures	483,802	610,812	629,792
Technology (Capital)	175,000	153,797	225,358
Information Economy Initiative	413,265	383,087	390,978
Technology Refresh (P-3 Schools)	242,600	244,771	173,732
Total Other Programs	$ 1,948,887	$ 2,071,793	$ 2,023,087

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Grant Revenue and Expenditure
Year Ended March 31, 2003

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

Program	Revenue	Expenditure
Child youth services	$ 109,144	$ 109,144
Anti-racism	4,186	4,186
Special Ed	9,643	9,643
Reading recovery	12,995	12,995
Breakfast Program	83,055	83,055
Conservatory of music	33,413	33,413
Cornwallis & Cusack	642	642
Mountainview	3,411	3,411
English as second language	3,705	3,705
Heritage	2,479	2,479
Grassroots	52,610	52,610
N.S. International Students	228,698	228,698
4 Plus	34,613	34,613
Baddeck - J.H.N.W.	513	513
George D. Lewis	3,332	3,332
Morrision	513	513
St. Mikes	513	513
Sydney Mines	2,592	2,592
S.P.E.C.	1,861	1,861
Thompson	1,192	1,192
Rankin	1,621	1,621
Malcolm Munroe	12,541	12,541
MacLennan	513	513
MacDonald Complex	513	513
Dr. T.L. Sullivan	2,268	2,268
Donkin	687	687
Breton Education Ctr.	513	513
Whitney Pier Memorial	513	513
Bridgeport	950	950
Cabot	1,042	1,042
Gaelic Language & Jr. High Networking	541	541
	$ 610,812	$ 610,812

AUDITORS' REPORT

To the Board of Directors of
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the Capital District Health Authority ("Capital Health") as at March 31, 2003 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of the Capital Health's management. Our responsibility is to express an opinion on these financial statements base on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by mangement, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital District Health as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
May 16, 2003

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Financial Position - Operating and Capital Funds
as at March 31, 2003

	Operating Fund	Capital Fund	Total 2003	Total 2002
		(in thousands)		
ASSETS				
Current				
Cash & short term investments	$ 35,049	$ 3,908	$ 38,957	$ 35,268
Accounts receivable	24,588	—	24,588	29,318
Due from Department of Health	20,772	—	20,772	21,469
Due from Department of Finance	1,693	—	1,693	1,258
Due from Foundations	1,030	—	1,030	893
Due (to) from other fund	(11,305)	11,305	—	—
Inventories (note 3)	5,119	—	5,119	5,584
Prepaid expenses	1,908	—	1,908	1,841
Due from Provincial Drug Distribution Program	404	—	404	265
	79,258	15,213	94,471	95,896
Other receivables	2,611	—	2,611	2,759
Due from Department of Finance	30,930	—	30,930	29,598
Restricted cash and short-term investments (notes 2 and 6)	16,233	—	16,233	16,884
	129,032	15,213	144,245	145,137
Capital assets (note 4)	—	225,630	225,630	229,754
Parking Garage project (note 11)	—	7,092	—	—
	$ 129,032	$ 247,935	$ 376,967	$ 374,891
LIABILITIES AND FUND BALANCE				
Current				
Accounts payable and accrued liabilities	$ 62,781	$ —	$ 62,781	$ 74,101
Deferred revenue (note 5)	18,653	11,305	29,958	25,124
Current portion of long term debt (note 11)	—	154	154	—
	81,434	11,459	92,893	99,225
Restricted liabilities (notes 2 and 6)	16,233	—	16,233	16,884
	97,667	11,459	109,126	116,109
Long term debt (note 11)	—	10,846	10,846	—
Employee future benefits (notes 2 and 7)	31,365	—	31,365	29,017
	129,032	22,305	151,337	145,126
Fund Balance				
Operating surplus	—	—	—	11
Investment in capital assets	—	225,630	225,630	229,754
	—	225,630	225,630	229,765
	$ 129,032	$ 247,935	$ 376,967	$ 374,891

Contingencies and commitments (notes 8, 9, 10,11 and 12)
See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Fund Balances
Year ended March 31, 2003

OPERATING FUND

	2003 (in thousands)	2002
Balance, beginning of year	$ 11	$ 11
Net revenues under expenditures	—	—
	11	11
Other	(11)	—
Balance, end of year	$ —	$ 11

INVESTMENT IN CAPITAL ASSETS

	2003	2002
Capital Funding, beginning of year	$ 437,631	$ 415,580
Capital funding for the year (Schedule C)	20,695	22,051
	458,326	437,631
Accumulated amortization of capital funding, beginning of year	(207,877)	(182,504)
Amortization of capital funding for the year	(24,819)	(25,373)
Accumulated amortization of capital funding, end of year	(232,696)	(207,877)
Balance, end of year	$ 225,630	$ 229,754

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Revenues and Expenditures
Year ended March 31, 2003

	2003	2002 (in thousands)
Operating		
Revenues (Schedule A)	$ 515,512	$ 510,388
Expenditures (Schedule B)	525,536	517,094
Results from operating activities	(10,024)	(6,706)
Capital		
Amortization of capital funding	24,819	25,373
Depreciation	(24,819)	(25,373)
	—	—
Provincial grants	3,645	3,506
Retirement allowance (Note 7)	(3,645)	(3,506)
	—	—
Research		
Revenues	11,193	14,178
Expenditures	11,844	12,716
	(651)	1,462
Opening balance	16,884	15,422
Ending funds available for research	16,233	16,884
Funds committed to future periods	16,233	16,884
Results from research activities	—	—
Net revenues under expenditures before deficit funding	(10,024)	(6,706)
Operating deficit funding received from Department of Health	10,024	6,706
Net revenues under expenditures	$ —	$ —

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Cash Flow
Year ended March 31, 2003

	2003	2002 (in thousands)
OPERATING ACTIVITIES		
Net revenues under expenditures - operating fund	$ (10,024)	$ (6,706)
Items not requiring cash		
Depreciation	24,819	25,373
Amortization of capital funding	(24,819)	(25,373)
Changes in non-cash working capital items	(2,556)	(8,037)
Cash used in operating activities	(12,580)	(14,743)
FINANCING ACTIVITIES		
Operating deficit funding from Department of Health	10,024	6,706
Other	(11)	—
Capital funding (Schedule C)	20,695	22,051
Employee future benefits	2,348	2,386
Parking Garage-Long term debt	11,000	—
Restricted funding	(651)	1,462
Cash provided by financing activities	43,405	32,605
INVESTING ACTIVITIES		
Parking Garage Project	(7,092)	—
Capital assets acquired (Schedule C)	(20,695)	(22,051)
Cash used in investing activities	(27,787)	(22,051)
Net increase (decrease) in cash during the year	3,038	(4,189)
Cash position, beginning of year	52,152	56,341
Cash position, end of year	55,190	52,152
Cash position, end of year is comprised as follows:		
Cash and short - term investments	38,957	35,268
Restricted cash and short-term investments	16,233	16,884
	$ 55,190	$ 52,152

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Notes to Financial Statements
March 31, 2003

1. Nature of the Organization

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QE11 Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board.

Capital Health is a non profit entity and, as such, is exempt from income tax.

2. Significant Accounting Policies

Fund accounting
Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activties.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Measurement Uncertainty
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories
Inventories are stated at cost, being the lower of cost and replacement cost.

Capital Assets
Capital assets are recorded at cost and depreciated at the following annual rates:

Halifax Infirmary building	50 years straight-line
Dartmouth General Hospital and Hants building	40 years declining balance
Other buildings and additions	20 - 50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Information technology	5 years straight-line
Parking equipment	10 years straight-line
Paving	5 years straight-line

Restricted cash and short-term investments and restricted liabilities
Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

Short - term investments
Investments are stated at the lower of cost and market. Gains and losses on investments are recognized when realized. Any impairment in value is recorded when the market value has declined below the carrying value.

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

Employee future benefits plans

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Acturial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $30,930,064 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is $3,644,528.

Financial instruments

The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments (see Note 11).

3. Inventories

	2003	2002 (in thousands)
Drugs	$ 3,396	$ 3,511
General supplies	766	1,746
Medical Surgical	957	327
	$ 5,119	$ 5,584

4. Capital Assets

	2003		2002	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(in thousands)			
Land	$ 324	$ ---	$ 324	$ ---
Land improvements	846	141	692	135
Halifax Infirmary building	110,023	14,267	110,023	12,066
Buildings and additions	74,640	34,425	74,640	33,093
Equipment	176,571	124,674	165,445	113,105
Leasehold improvements	62,960	26,449	54,129	20,498
Information technology	32,629	32,450	32,045	28,754
Parking equipment	20	9	20	7
Paving	313	281	313	219
	458,326	232,696	437,631	207,877
Less: accumulated depreciation	232,696		207,877	
	$ 225,630		$ 229,754	

5. Deferred Revenue

Deferred revenue in the operating fund of $18,652,864 represents advance funding received from the Department of Health for the 2003/04 fiscal year. Deferred revenue in the capital fund of $11,305,094 represents advance funding for capital equipment to be purchased subsequent to March 31, 2003.

6. Restricted Cash and Short-term Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2002/2003, research revenue totaled $11,193,000 and research expenses totaled $11,844,000, resulting in a net decrease of $651,000.

	2003	2002 (in thousands)
Centre for Clinical Research	$ 14,104	$ 14,877
Other	2,129	2,007
	$ 16,233	$ 16,884

7. Employee Future Benefits

Capital Health has provided for retirement allowances and life insurance as follows:

	2003	2002 (in thousands)
Accrued benefit liability		
Beginning balance, retiring allowances	$ 28,537	$ 26,151
Current service cost for the year	1,992	1,791
Interest cost during the year	1,803	1,716
Amortization of experience loss	(151)	—
Estimated fiscal payments for employees	(1,251)	(1,121)
Ending balance, retiring allowances	30,930	28,537
Life insurance benefits	435	480
Ending balance, accrued benefit liability	$ 31,365	$ 29,017
Employee future benefits expense		
Current service costs	$ 1,993	$ 1,790
Interest on accrued benefits	1,803	1,716
Amortization of experience loss	(151)	—
	$ 3,645	$ 3,506

The significant actuarial assumptions adopted in mesuring the company's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2003:

	Retirement Allowance	Life Insurance
Discount rate	6.17%	7.5%
Retirement % at age 65	—	50.0%
Average age of employees	42.3	—
Average age of services	12.2	—
Future mortality rate	—	20.0%
Rate of compensation increase	3.65%	—

8. Pension Funds

Public Service Superannuation Fund
Most former employees of the Victoria General Hospital ("VGH"), Cancer Treatment and Research Foundation ("CTRF"), Nova Scotia Hospital ("NSH"), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations
Employees of the former Nova Scotia Rehabilitation Centre ("NSRC"), Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31 2000 and showed a funding excess for the entire plan of over $107,000,000. An extrapolation to December 31, 2002 was performed, which indicates a funding deficiency of $36,200,000.

Federal Superannuation Fund
A small group of employees of the former Camp Hill Medical Centre ("CHMC") who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 and opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans is as follows:

	2003	2002 (in thousands)
Employer contributions	$ 14,989	$ 14,436

9. Long-Term Disability Plan

Public Service Long Term Disability Plan Trust Fund
Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at June 1, 2002 and disclosed an unfunded liability of approximately $38,900,000.

Nova Scotia Association of Health Organizations
Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of September 30, 2002. An extrapolation to December 31, 2002 was performeed, which indicates a funding deficiency of $13,819,000.

Canada Life Plan
Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life.

10. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31 (in thousands):

2004	$3,049
2005	4,487
2006	3,997
2007	3,997
2008	3,997

11. Long-Term Debt/Parking Garage

	2003	2002
	(in thousands)	
Term loan	$ 11,000	$ —
Less: current portion	154	—
	$ 10,846	$ —

Capital Health received approval in 2002/2003 from its Board of Directors and the Department of Health to construct a new multi level parking garage at its Halifax Infirmary site. The parking garage is expected to be fully operational in the 2003/2004 fiscal year. As at March 31, 2003, a total cost of $7,092,000 has been incurred for this project.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan amounting to $11,000,000 bears interest at 5.913% and matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totalling $478,961.

Principal repayments for each of the next five years are as follows:

Fiscal	(in thousands)
2004	$ 154
2005	321
2006	340
2007	361
2008	383
Thereafter in aggregate	9,441
	$ 11,000

12. Contingency

Capital Health is disputing amounts claimed by a consulting firm to the QEII as a result of a re-engineering project. The outcome of this dispute is not determinable at this time and no amount has been recorded in the financial statements as at March 31, 2003. The costs of settlement of this matter, if any, will be recorded in the year of resolution.

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

Schedule A

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Revenues Operating Fund
Year ended March 31, 2003

	Operating	Provincial Funded Programs	Total 2003	Total 2002
			(in thousands)	
Department of Health	$ 369,531	$ 88,037	$ 457,568	$ 449,125
Federal Government	20,075	—	20,075	16,552
Non resident billings	8,632	—	8,632	7,394
Preferred accommodation	8,120	—	8,120	7,342
Other	7,516	—	7,516	8,676
Dietary	5,311	—	5,311	5,171
Lab and support services	4,985	—	4,985	4,098
Medical education	—	—	—	5,287
Workers Compensation Board	3,305	—	3,305	3,237
Revenues	$ 427,475	$ 88,037	$ 515,512	$ 506,882

Schedule B

Schedule of Expenditures Operating Fund
Year ended March 31, 2003

	Operating	Provincial Funded Research	Total 2003	Total 2002
			(in thousands)	
Compensation	$ 308,660	$ 71,188	$ 379,848	$ 372,060
Med/ surgical Supplies	38,459	3,960	42,419	38,495
Plant maintenance/utilities	33,259	2,008	35,267	29,762
Drugs	19,024	1,742	20,766	20,096
Other	11,952	4,562	16,514	17,676
Lab/diagnostic supplies	10,464	88	10,552	9,962
Purchased services	8,938	1,376	10,314	15,266
Fees	7,634	2,222	9,856	10,271
Expenditures	$ 438,390	$ 87,146	$ 525,536	$ 513,588

Schedule C

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Changes in Capital
Year ended March 31, 2003

	2003	2002
	(in thousands)	
Capital Funding		
Department of Health	$ 8,101	$ 9,678
Other	3,811	8,573
Clinical Research	1,081	143
Federal Government	5,565	700
Foundations	2,137	2,957
	$ 20,695	$ 22,051

	2003	2002
Capital Expenditures		
Leasehold improvements	$ 8,831	$ 11,825
Equipment	11,127	7,736
Land	154	---
Information technology	583	2,490
	$ 20,695	$ 22,051

Unaudited

CHECK INNS LIMITED

Balance Sheet
year ended March 31, 2003

ASSETS

		2003		2002
	$	—	$	—

LIABILITIES

		2003		2002
Current				
Payables and Accruals				
Department of Tourism and Culture	$	89,907	$	89,907

SHAREHOLDER'S EQUITY

		2003		2002
Capital Stock				
Authorized				
5,000 common shares with par value of $1 each				
Issued				
3 common shares		3		3
Retained earnings		(89,910)		(89,910)
		(89,907)		(89,907)
	$	—	$	—

Statement of Loss and Retained Earnings
year ended March 31, 2003

		2003		2002
Expenses	$	—	$	—
Retained earnings, beginning of year	$	(89,910)	$	(89,910)
Net loss		—		—
Retained earnings, end of year	$	(89,910)	$	(89,910)

AUDITORS' REPORT

To the Chairperson and Members
of the Board

We have audited the balance sheets of Chignecto-Central Regional School Board as at March 31, 2003 and the statements of operations, surplus, investment in capital assets and continuity of reserves for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations for the year then ended in accordance with generally accepted accounting principles established for school boards in the Province of Nova Scotia.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 27, 2003

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current assets:		
Cash	$ 9,595	$ 9,395
Accounts receivable:		
Government of Canada (note 2)	2,777,954	2,492,442
Province of Nova Scotia (note 3)	5,513,322	3,027,473
Municipalities	---	91,677
Other	875,659	449,443
Prepaid expenses	535,383	397,159
	9,711,913	6,467,589
Other assets:		
Accounts receivable, Province of Nova Scotia - Service awards (note 4)	16,400,701	15,813,000
Restricted cash and investments	3,473,203	4,902,106
	19,873,904	20,715,106
Capital assets (note 5):		
CCRSB Operations Centre assets, net of accumulated amortization of $19,806	2,448,060	---
School buildings and land	83,024,541	83,024,541
Equipment and furnishings	34,053,139	34,053,139
School buses and maintenance vehicles	12,240,650	11,558,551
	131,766,390	128,636,231
	$ 161,352,207	$ 155,818,926

LIABILITIES AND EQUITY

	2003	2002
Current liabilities:		
Bank indebtedness	$ 1,389,215	$ 447,839
Accounts payable and accrued liabilities	8,842,596	5,220,336
Deferred revenue	834,028	696,947
	11,065,839	6,365,122
Other liabilities:		
Service award liability (note 4)	16,400,701	15,813,000
Deferred contributions - capital assets, net of accumulated amortization of $8,333	991,667	---
	17,392,368	15,813,000
Equity:		
Reserves	3,473,203	4,902,106
Investment in capital assets	129,379,360	128,697,261
Surplus - non-restricted	41,437	41,437
	132,894,000	133,640,804
	$ 161,352,207	$ 155,818,926

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Operating Fund Balance Sheet
March 31, 2003

ASSETS

		2003		2002
Current assets:				
Cash	$	9,595	$	9,395
Accounts receivable:				
Government of Canada (note 2)		2,777,954		2,492,442
Province of Nova Scotia (note 3)		5,513,322		3,027,473
Municipalities		—		91,677
Other		875,659		449,443
Prepaid expenses		535,383		397,159
		9,711,913		6,467,589
Other assets:				
Accounts receivable, Province of Nova Scotia - Service awards (note 4)		16,400,701		15,813,000
Restricted cash and investments		3,425,946		4,856,564
		19,826,647		20,669,564
CCRSB Operations Centre assets, net of accumulated amortization of $19,806		2,448,060		—
	$	31,986,620	$	27,137,153

LIABILITIES AND EQUITY

		2003		2002
Current liabilities:				
Bank Indebtedness	$	1,389,215	$	447,839
Accounts payable and accrued liabilities		8,842,596		5,220,336
Deferred revenue		834,028		696,947
Due to own funds		3,486,976		4,917,594
		14,552,815		11,282,716
Other liabilities:				
Service award liability (note 4)		16,400,701		15,813,000
Deferred contributions - capital assets, net of accumulated amortization of $8,333		991,667		—
		17,392,368		15,813,000
Equity:				
Surplus - non-restricted		41,437		41,437
	$	31,986,620	$	27,137,153

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Operations
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Revenue (schedule A):			
Province of Nova Scotia	$ 113,523,115	$ 117,684,038	$ 117,497,661
Government of Canada	2,074,285	2,955,578	2,770,106
Appropriation from Councils	19,839,500	19,839,535	19,264,623
Board operations	2,997,031	3,991,349	3,587,746
	$ 138,433,931	$ 144,470,500	$ 143,120,136
Expenditures (schedule B):			
Board governance	$ 352,684	$ 319,200	$ 319,055
Regional management	3,273,576	3,339,460	3,623,426
School management and support	12,991,346	14,366,917	13,875,104
Instruction and school services	83,815,139	83,965,327	81,305,251
Student support	14,097,067	14,976,004	13,800,002
Adult and community education	640,872	823,464	662,717
Property services	15,563,015	16,971,168	16,085,597
Pupil transportation	8,420,370	8,167,392	7,675,855
Other programs	1,304,862	2,052,380	1,808,328
Settlement of pension plans (note 6)	---	900,000	---
Capital asset amortization	---	19,806	---
Bad debt expense	---	---	486,013
	$ 140,458,931	$ 145,901,118	$ 139,641,348
Surplus (deficit) before reserve transfers	$ (2,025,000)	$ (1,430,618)	$ 3,478,788
Transfers from (to) reserves	$ 2,025,000	$ 1,430,618	$ (3,477,630)
Annual operating surplus	$ ---	$ ---	$ 1,158

Statement of Surplus
Year ended March 31, 2003

	2003	2002
Surplus, beginning of year	$ 41,437	$ 40,279
Annual operating surplus	---	1,158
Surplus, end of year	$ 41,437	$ 41,437

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Capital Fund Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Due from own funds	$ 61,030	$ 61,030
Capital assets (note 5):		
School buildings and land	83,024,541	83,024,541
Equipment and furnishings	34,053,139	34,053,139
School buses and maintenance vehicles	12,240,650	11,558,551
	$ 129,379,360	$ 128,697,261

EQUITY

	2003	2002
Investment in capital assets	129,379,360	128,697,261
	$ 129,379,360	$ 128,697,261

Statement of Investment in Capital Assets
Year ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 128,697,261	$ 125,739,748
Capital asset purchases funded from operations:		
School buildings and land	—	971,049
Equipment and furnishings	—	1,188,418
School buses and maintenance vehicles	—	32,755
School buses purchased by Province of Nova Scotia	1,112,420	1,025,280
Donated capital assets:		
Equipment and furnishings	—	263,632
	1,112,420	3,481,134
Retirement of capital assets:		
School buses and maintenance vehicles	(430,321)	(523,621)
Balance, end of year	$ 129,379,360	$ 128,697,261

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Reserve Fund Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Cash and investments	$ 47,257	$ 45,542
Due from own funds	3,425,946	4,856,564
	$ 3,473,203	$ 4,902,106
RESERVES		
Reserve for Instructional Program Enhancement	$ 714,365	$ 779,106
Reserve for School Advisory Councils	18,633	18,633
Reserve for future operations	2,685,121	4,051,000
Special Capital Reserve	13,856	13,692
Capital Reserve	41,228	39,675
	$ 3,473,203	$ 4,902,106

Statement of Continuity of Reserves
Year ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 4,902,106	$ 1,422,478
Interest earned	1,717	1,998
	4,903,823	1,424,476
Transfer to (from) current operations:		
Instructional Program Enhancement	(64,741)	(73,370)
Future operations	(1,365,879)	3,551,000
Balance, end of year	$ 3,473,203	$ 4,902,106

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements
Year ended March 31, 2003

Pursuant to an Act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

1. **Significant accounting policies:**

Basis of accounting:

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

(a) Financial statement presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(b) Revenue and expenditures recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis. Teachers' salaries are recorded on a cash basis.

(c) Capital assets and deferred contributions:

Capital assets are recorded at cost. Effective April 1, 2002 funding received through Provincial capital assistance programs for Tangible Capital Assets (TCA projects) are netted against the corresponding capital expenditures.

The Regional School Board also adopted a new accounting policy for all other newly acquired capital assets with the exception of school buses effective April 1, 2002. In previous years, the policy was to charge the full cost of capital projects to expenditures in the year in which they occurred as "capital out of revenue". The new policy charges a percentage of the original cost to each year over the useful life of the asset. This policy also sets thresholds for the identification of capital assets at a much higher level than was previously in place. As a result, the items previously identified as capital out of revenue are now recorded under their specific categories in the applicable departments. Funding received for capital assets other than TCA projects and school buses is recorded as deferred contributions for capital assets and is amortized in a systematic manner which corresponds to the amortization of the asset.

Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses assuming fully the responsibility and cost of purchasing. The total cost of school buses, paid by the Province has been treated as an addition to the capital assets and to the investment in capital assets.

(d) Basis of consolidation:

The consolidated balance sheet has been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook. Trust funds are not included in the consolidation (see note 8) and interfund balances have been eliminated.

2. Accounts receivable, Government of Canada:

	2003	2002
Band Councils	$ 2,028,996	$ 1,658,076
Harmonized Sales Tax	659,719	785,804
Other	89,239	48,562
	$ 2,777,954	$ 2,492,442

3. Accounts receivable, Province of Nova Scotia:

	2003	2002
French special projects	$ 151,997	$ 481,036
Information Economy Initiative	84,233	312,486
Retroactive wages	3,512,957	652,511
Special capital projects	332,995	986,000
Operations Centre	1,000,000	---
Technology Refresh	82,591	308,115
Other	348,544	287,325
	$ 5,513,322	$ 3,027,473

4. Service Award Program:

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia is assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial valuation performed for them. This valuation calculated the present value of the service awards payable for past services for the Chignecto-Central Regional School Board to be $16,400,701 as of March 31, 2003 (2002 - $15,813,000). School boards are required to expense 1% of teachers' annual payroll. The changes in the balance during the year are attributed to $938,000 in interest expense, $36,299 in amortization of of experience gains/losses, $1,157,000 in benefits paid, and $843,000 in current service costs.

5. Capital assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the School Boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former District School Boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Regional School Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Regional School Board.

6. Pension plans:

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a defined benefit pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 2000 and indicated accrued pension benefits of $4,937,300 and pension fund assets with market values of $5,258,000.

The Regional School Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

The Regional School Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

During the year the Regional School Board substantially completed all of the requirements for the transfer of several pension plans to NSSBA and PSSP. This transfer was initially approved in 2000 and resulted in settlement costs being accrued in the current year for a total amount of $900,000. The major components of the settlement costs were legal and actuarial fees of $82,000, reports and notices of $18,000, deficiency in former plans of $620,000, year 2000 service of $150,000, and interest and penalty costs of $30,000.

7. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

8. Trust funds (schedules C and D):

The following are trust fund balances as at March 31:

	2003	2002
ARHS Prize	$ 1,909	$ 1,805
Biggs	21,313	21,160
Blaikie	1,936	2,355
Brine	1,200	1,180
Campbell	1,203	1,217
Chignecto Family	7,367	7,833
Christie	13,712	14,140
Class of Fifty	465	1,465
Cole	2,063	2,137
Coleman	231	(19)
Decker	6,011	6,242
Dempsey	146	191
Balance carried- forward	57,556	59,706

Balance carried- forward	57,556	59,706
Devenne	4,770	5,093
Dowe	712	712
Dunbar	3,002	3,010
Eaton	1,398	1,352
Edwards	3,841	3,319
Fields	1,725	1,735
Fife	37	(3,450)
Fulmer	25,053	16,947
Gosse	2,848	2,721
Harrison	5,099	5,109
Hewson	23,320	24,055
Hunter	46,181	43,000
Kirkpatrick	740	745
LaFarge	10,000	10,000
Loggie	14,038	12,000
MacInnes	2,000	2,000
MacKenzie	12,008	11,998
McBrien	5,261	5,527
MacIver	1,638	6,063
McIver	6,057	1,581
Milner	1,905	2,055
Parker	2,852	2,763
Parrsboro Prize	984	1,010
Puglsey	79,006	78,841
Red Cross	2,999	3,044
Roach	1,202	1,175
Smith	1,535	1,542
Sorge	5,472	5,468
Stay-in-School	13,980	13,988
Taylor	9,245	10,000
Thompson	12,999	13,399
Tingley	13,329	13,278
Tye	38,327	34,101
Wilkes	5,886	5,620
	$ 417,005	$ 399,507

9. Comparative Figures:

Certian of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003. In the financial statements for the period ending March 31, 2002, capital euipment, repairs and renovations were $2,192,222. These amounts have been reallocated to their specific categories in the applicable departments for this year's financial statement presentation.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Province of Nova Scotia:			
General formula	$ 104,314,600	$ 100,151,298	$ 102,249,000
Special education	7,863,900	7,863,900	7,863,900
Textbook credit allocation	1,260,900	1,256,171	1,208,000
Recovery of retroactive salary increases	—	4,160,648	1,505,865
Special capital grants	—	454,800	1,972,000
French special projects	83,715	166,625	104,124
Service awards funding (note 4)	—	1,744,701	824,000
Information Economy Initiative	—	512,060	658,067
Special one time funding	—	—	426,000
Adult High grant	—	175,000	85,000
Early Identification Intervention Service	—	433,845	281,827
Amortization of deferred contributions - capital assets	—	8,333	—
Other	—	793,294	319,878
	$ 113,523,115	$ 117,720,675	$ 117,497,661

	2003 Budget	2003 Actual	2002 Actual
Government of Canada:			
Indian and Northern Affairs Canada	$ 1,800,000	$ 2,494,849	$ 2,320,528
Secretary of State:			
Minority language	45,000	6,505	22,919
French special projects	209,285	213,152	260,310
Employment and Immigration Canada	20,000	183,195	75,792
Other	—	21,240	90,557
	$ 2,074,285	$ 2,918,941	$ 2,770,106

	2003 Budget	2003 Actual	2002 Actual
Appropriation from Councils:			
Municipality of Colchester	$ 4,729,356	$ 4,729,388	$ 4,509,016
Municipality of Cumberland	2,646,115	2,646,114	2,571,864
Municipality of East Hants	2,475,166	2,475,168	2,420,860
Municipality of Pictou	3,504,902	3,504,900	3,457,176
Town of Amherst	1,123,840	1,123,836	1,106,184
Town of New Glasgow	1,219,961	1,219,956	1,175,832
Town of Oxford	177,223	177,228	172,341
Town of Parrsboro	136,294	136,294	137,148
Town of Pictou	350,926	350,928	343,282
Town of Springhill	368,278	368,280	363,936
Town of Stellarton	555,253	555,252	494,124
Town of Stewiacke	143,849	143,855	143,976
Town of Trenton	237,162	237,156	236,232
Town of Truro	1,925,563	1,925,568	1,887,708
Town of Westville	245,612	245,612	244,944
	$ 19,839,500	$ 19,839,535	$ 19,264,623

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue (continued)
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Board operations:			
Cafeterias	$ 1,193,862	$ 1,266,427	$ 1,249,042
Investment interest	330,000	220,617	370,540
Adult education fees	105,000	102,851	79,138
Rentals	438,782	414,701	459,402
Summer School	31,000	40,983	29,945
International Student Program	130,000	855,715	757,020
Public Private Partnership	609,000	700,655	478,050
Other	159,387	389,400	164,609
	$ 2,997,031	$ 3,991,349	$ 3,587,746

Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Board governance:			
Member honorarium	$ 129,000	$ 129,000	$ 128,374
Secretarial wages	23,065	20,593	20,000
Benefits	11,957	12,010	11,553
Travel	24,800	22,552	28,057
Telecommunications	8,200	5,516	5,233
Supplies and materials	13,800	5,667	7,081
Professional development	37,200	37,200	32,025
Dues and fees	94,662	86,662	86,662
School board elections	10,000	—	70
	$ 352,684	$ 319,200	$ 319,055

	2003 Budget	2003 Actual	2002 Actual
Regional management:			
Salaries and wages	$ 2,209,755	$ 2,074,410	$ 2,246,466
Employee benefits	259,241	245,947	258,296
Travel	98,230	69,205	106,115
Professional fees	114,000	210,976	174,601
Consulting and contracted services	20,000	118,393	69,357
Facilities rental	23,832	7,944	23,831
Equipment	22,500	68,442	70,511
Telecommunications	101,300	81,634	97,446
Advertising	49,000	42,617	53,421
Supplies and materials	223,380	256,102	352,049
Professional development	45,000	47,340	51,642
Administrative services	107,338	116,450	116,971
Other	—	—	2,720
	$ 3,273,576	$ 3,339,460	$ 3,623,426

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
School management and support:			
Salaries and wages	$ 10,065,475	$ 10,907,657	$ 10,623,724
Employee benefits	465,380	568,576	427,299
Service awards (note 4)	—	—	98,852
Travel	105,163	119,593	119,636
Equipment	140,681	219,387	810,491
Telecommunications	99,600	66,992	60,301
Cirriculum development	614,250	927,312	132,669
Supplies and materials	501,498	857,173	845,480
Professional development	999,299	700,227	756,652
	$ 12,991,346	$ 14,366,917	$ 13,875,104
Instruction and school services:			
Salaries and wages	$ 74,309,442	$ 73,291,523	$ 71,822,968
Employee benefits	4,476,639	4,469,266	4,359,731
Service awards (note 4)	1,105,000	852,906	563,630
Service award interest expense	—	938,000	1,017,000
Travel	61,132	47,706	132,786
Equipment	102,450	626,323	71,291
Telecommunications	507,070	486,154	491,447
Textbook credit allocation	1,260,900	1,256,850	1,208,000
Cirriculum development	41,189	54,672	80,027
Supplies and materials	1,951,317	1,932,464	1,553,596
Professional development	—	9,463	4,775
	$ 83,815,139	$ 83,965,327	$ 81,305,251
Student support:			
Salaries and wages	$ 12,801,630	$ 13,114,550	$ 12,426,622
Employee benefits	1,014,823	1,142,338	1,030,107
Travel	86,114	80,723	104,311
Equipment	—	5,323	34,713
Telecommunications	28,000	24,239	24,716
Supplies and materials	166,500	593,746	120,969
Professional development	—	15,085	58,564
	$ 14,097,067	$ 14,976,004	$ 13,800,002
Adult and community education:			
Salaries and wages	$ 500,280	$ 595,300	$ 502,812
Employee benefits	51,592	67,332	55,028
Travel	5,500	9,691	8,279
Facilities rental	2,500	25	140
Equipment	—	47,176	20,491
Telecommunication	11,500	16,598	15,675
Adverstising	25,000	21,932	24,102
Supplies and materials	43,000	60,947	35,315
Professional development	1,500	4,463	875
	$ 640,872	$ 823,464	$ 662,717

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Property services:			
Salaries and wages	$ 7,046,096	$ 7,196,855	$ 6,921,321
Employee benefits	1,161,438	1,357,433	1,130,323
Travel	29,630	22,467	31,319
Contracted services	322,334	418,977	447,194
Repairs and maintenance	1,573,350	1,683,783	2,427,556
Vehicle	—	95,239	107,055
Telecommunications	47,800	66,610	61,998
Supplies and materials	488,000	421,723	479,703
Utilities	4,466,815	5,250,283	4,086,578
Professional development	500	10,192	51,402
Insurance	427,052	447,606	341,148
	$ 15,563,015	$ 16,971,168	$ 16,085,597

	2003 Budget	2003 Actual	2002 Actual
Pupil transportaton:			
Salaries and wages	$ 4,176,342	$ 3,978,681	$ 3,747,494
Employee benefits	659,646	634,015	593,965
Travel	5,732	3,024	7,053
Equipment	15,000	44,799	24,784
Vehicle	1,189,000	1,122,030	1,107,023
Contract conveyance	2,100,000	1,945,026	1,964,025
Telecommunications	44,700	42,767	31,623
Supplies and materials	55,950	112,750	74,802
Utilities	59,000	76,379	36,119
Professional development	—	12,818	—
Insurance	115,000	195,103	88,967
	$ 8,420,370	$ 8,167,392	$ 7,675,855

	2003 Budget	2003 Actual	2002 Actual
Other programs:			
Salaries and wages	$ 599,473	$ 663,976	$ 625,225
Employee benefits	70,569	84,423	85,226
Travel	6,000	10,182	13,450
Homestays	—	302,015	219,017
Equipment	42,755	24,616	1,412
Contract services	—	162,807	53,559
Telecommunications	2,000	472	2,108
Supplies and materials	12,000	144,989	83,131
Cafeteria food supplies	572,065	642,535	633,891
Dues and fees	—	1,680	15,614
Insurance	—	14,685	75,695
	$ 1,304,862	$ 2,052,380	$ 1,808,328

Schedule C - Trust Fund Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Cash and investments	$ 417,005	$ 399,507
	$ 417,005	$ 399,507

EQUITY

	2003	2002
Trust Funds (note 8)	417,005	399,507
	$ 417,005	$ 399,507

Schedule D - Statement of Continuity of Trust funds
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 399,507	$ 363,987
Receipts:		
Principal	25,870	46,310
Interest earned	17,428	13,852
	43,298	60,162
Disbursements:		
Bursaries and scholarships	(25,800)	(24,642)
Balance, end of year	$ 417,005	$ 399,507

See accompanying notes to financial statements.

AUDITORS' REPORT

To the Board of Directors of
Colchester East Hants Health Authority

We have audited the statement of financial position of Colchester East Hants Health Authority as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Colchester East Hants Health Authority as at March 31, 2003, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
June 11, 2003

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003

ASSETS

	Operating Fund	Capital Fund	Total 2003	Total 2002
Current				
Cash and cash equivalents	$ 2,728,571	$ 80,735	$ 2,809,306	$ 2,954,646
Receivables (Note 4)	2,489,472	739,983	3,229,455	2,597,073
Due from Capital Fund	74,865	—	74,865	9,088
Inventories	290,652	—	290,652	306,060
Prepaids	166,146	—	166,146	55,148
	5,749,706	820,718	6,570,424	5,922,015
Other receivables (Note 5)	3,098,045	—	3,098,045	2,979,845
Capital assets (Note 6)	—	15,813,163	15,813,163	15,572,095
	$ 8,847,751	$ 16,633,881	$ 25,481,632	$ 24,473,955

LIABILITIES

	Operating Fund	Capital Fund	Total 2003	Total 2002
Current				
Payables and accruals (Note 7)	$ 4,995,457	$ 631,780	$ 5,627,237	$ 5,286,946
Due to Operating Fund	—	74,865	74,865	9,088
Deferred revenue	1,946,418	100,875	2,047,293	1,771,638
Current portion of obligation under capital lease	—	30,781	30,781	28,564
	6,941,875	838,301	7,780,176	7,096,236
Employee benefits (Note 8)	1,905,876	—	1,905,876	1,787,676
Obligation under capital lease (Note 9)	—	19,048	19,048	49,829
	8,847,751	857,349	9,705,100	8,933,741

FUND BALANCES (Page 110)

	Operating Fund	Capital Fund	Total 2003	Total 2002
Restricted (Note 10)	—	49,829	49,829	78,393
Unrestricted - investment in capital assets	—	15,726,703	15,726,703	15,461,821
	—	15,776,532	15,776,532	15,540,214
	$ 8,847,751	$ 16,633,881	$ 25,481,632	$ 24,473,955

Commitments (Note 12)

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2003

	2003	2002
Revenues		
Nova Scotia Department of Health	$ 36,098,341	$ 34,254,836
Charges to M.S.I.	3,199,873	2,466,524
Department of Veterans Affairs	579,502	354,553
In-patients	855,563	736,424
Out-patients	320,211	316,477
Rental income	271,989	261,276
Auxiliary	—	29,782
Canadian Breast Cancer Foundation	66,309	—
Early identification and intervention program	143,847	61,674
Investment income	65,770	44,198
Food services	129,011	134,915
Laboratory	46,237	75,396
Other income	18,297	21,210
	41,794,950	38,757,265
Expenses		
In-patient services	15,032,863	14,145,484
Ambulatory services	9,291,254	7,944,232
Diagnostic and therapeutic services	6,976,306	6,294,631
Support services	8,305,637	7,725,673
Community health board initiatives	112,648	49,053
Community services	2,331,924	1,934,819
Early departure incentives	123,957	61,037
Rental expenses	165,898	158,595
Education and library	103,350	145,018
Increase in vacation pay accrual	39,864	167,573
Employee benefits	264,300	239,915
	42,748,001	38,866,030
Operating deficit before deficit funding	(953,051)	(108,765)
Operating deficit funding receivable from the Nova Scotia Department of Health	953,051	108,765
Excess of revenue over expenses	$ —	$ —

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Changes in Fund Balances - Capital Fund
Year Ended March 31, 2003

	2003	2002
Restricted		
Balance, beginning of year	$ 78,393	$ 104,899
Transfer to unrestricted	(28,564)	(26,506)
Balance, end of year	$ 49,829	$ 78,393
Unrestricted		
Balance, beginning of year	$ 15,461,821	$ 16,087,666
Transfer from restricted	28,564	26,506
Excess of revenues over expenses	2,342	5,363
Capital asset funding		
Department of Health	370,326	199,196
Department of Health - Federally funded medical equipment	850,000	—
Foundations	729,873	688,665
Auxiliaries	126,302	152,477
Amortization	(1,837,614)	(1,691,083)
Capital debt charges	(4,911)	(6,969)
Balance, end of year	$ 15,726,703	$ 15,461,821

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Capital Fund	$ 2,342	$ 5,363
Change in non-cash working capital		
Receivables	(750,582)	1,228,821
Inventories	15,408	16,993
Prepaids	(110,998)	64,627
Payables and accruals	458,491	(329,147)
Deferred revenue	275,655	338,290
	(109,684)	1,324,947
Financing and investing		
Capital asset funding	2,076,501	1,040,338
Capital debt charges	(4,911)	(6,969)
Purchase of capital assets	(2,078,682)	(1,023,457)
Repayment of capital lease	(28,564)	(26,506)
	(35,656)	(16,594)
Net (decrease) increase in cash and cash equivalents	(145,340)	1,308,353
Cash and cash equivalents, beginning of year	2,954,646	1,646,293
Cash and cash equivalents, end of year	$ 2,809,306	$ 2,954,646

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

Colchester East Hants Health Authority operates several health care facilities including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related health services.

2. Health Authorities Act

Colchester East Hants Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On 'January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets.

Revenue recognition
Colchester East Hants Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Inventories
Inventories are recorded at the lower of cost or replacement value.

Capital assets
Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5- 20 years
Equipment under capital lease	5- 20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarily determined using the projected benefit method prorated on service.
- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

4. Receivables

	Operating Fund	Capital Fund	Total 2003	Total 2002
Charges to M.S.I.	$ 273,240	$ —	$ 273,240	$ 267,928
Foundations and auxilaries	84,171	412,103	496,274	177,484
Harmonized sales tax	175,088	129,604	304,692	231,646
Patients	225,290	—	225,290	248,132
Veterans Affairs Canada - final settlement	135,622	—	135,622	—
Other	270,440	23,904	294,344	418,576
	1,163,851	565,611	1,729,462	1,343,766
Nova Scotia Department of Health				
Construction and equipment	—	174,372	174,372	8,863
Operating deficit funding and other	1,325,621	—	1,325,621	1,244,444
	1,325,621	174,372	1,499,993	1,253,307
	$ 2,489,472	$ 739,983	$ 3,229,455	$ 2,597,073

The resolution of final V.A.C. settlement estimate is dependent upon approval of Veterans Affairs Canada. An adjustment, if any, on the resolution of this amount will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	Total 2003	Total 2002
Nova Scotia Department of Health			
Vacation pay	1,192,169	1,192,169	1,192,169
Employees benefits	1,905,876	1,905,876	1,787,676
	$ 3,098,045	$ 3,098,045	$ 2,979,845

6. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	$ 155,349	$ —	$ 155,349	$ 155,349
Land improvements	497,444	259,673	237,771	262,645
Buildings	16,632,022	6,277,562	10,354,460	10,411,670
Equipment	12,064,189	7,225,187	4,839,002	4,464,581
Equipment under capital lease	894,012	705,337	188,675	264,016
Construction in progress	37,906	—	37,906	13,834
	$ 30,280,922	$ 14,467,759	$ 15,813,163	$ 15,572,095

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2003	Total 2002
Trade	$ 3,327,163	$ 631,780	$ 3,958,943	$ 3,642,679
Vacation pay	1,668,294	—	1,668,294	1,644,267
	$ 4,995,457	$ 631,780	$ 5,627,237	$ 5,286,946

8. Employee benefits

The authority has the following benefit plans:

(i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees, and
(ii) a retirement benefit plan providing retiring allowances to its employees.

The defined benefit plan is accounted for as a defined contribution plan.

The most recent projected actuarial valuation of the multi-employer pension plan with approximately 20,000 members throughout the province show an unfunded liability at December 31, 2002.

The net expense for the authority's benefit plan is as follows:

	Pension Benefit Plan March 31, 2003
Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses	$ 1,241,305

Information about the authority's retirement benefit plan as at March 31, 2003 is as follows:

	Retirement Benefit Plan March 31, 2002
Fair value of plan assets	$ 1,905,876
Accrued benefit liability recognized	$ 1,905,876

The retiring allowances for the health authority paid out during the year are as follows:

Retirement allowance	$ 159,756

The following acturial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003.

Discount rate	6.17%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date which is their 65th birthday.

9. Obligation under capital lease

The authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

	2003	2002
2003	$ —	$ 33,475
2004	33,475	33,475
2005	19,526	19,526
	53,001	86,476
Less: amount representing interest on capital lease at 7.25%	3,172	8,083
	49,829	78,393
Less: current portion	30,781	28,564
	$ 19,048	$ 49,829

As security, the authority has pledged specific equipment.

10. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 9. The balance of the reserve was $49,829 as of March 31, 2003.

11. Credit facilities

The health authority has a financial agreement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2003.

12. Commitments

Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next four fiscal years ended March 31:

2004	$ 157,839
2005	$ 93,983
2006	$ 67,137

Colchester East Hants Health Authority has provided a letter of intent to rent space for a period of seven years with annual rental payments of $180,928, estimated to commence in 2005.

13. Related entities

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

14. Subsequent event

Subsequent to year end, the authority received a commitment from the Department of Health for $1,000,000 of funding to commence the Functional Program phase related to the replacement of the Colchester Regional Hospital.

15. Comparative figures

Certain to the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

These financial statements are in draft form only

Draft

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan consolidé

Au 31 mars 2003 et 2002

	2003	2002
Actif		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse	1 228 455 $	1 592 328 $
Gouvernement du Canada	1 057 651	2 070 612
Gouvernement du Canada	149 547	190 373
Autres	243 832	214 143
Frais payés d'avance	187 930	12 128
	2 867 415	4 079 584
Encaisse et sommes à recevoir restreintes	1 529	1 529
Actif à long terme:		
Province de la Nouvelle-Écosse – régime de retraite	2 074 629	1 924 000
Immobilisations, au coût:		
Terrains, édifices et améliorations	23 152 615	23 152 615
Équipement et fournitures	3 857 518	3 857 518
Autobus scolaires et autres véhicules	1 956 098	1 956 098
	28 966 231	28 966 231
	33 909 804 $	34 971 344 $
Passif		
Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	127 231 $	3 023 936 $
Fournisseurs et sommes à payer:		
Fournisseurs	1 787 660	1 446 348
Ajustements salarials rétroactifs	1 018 989	293 437
Autres	110 737	71 002
Revenus reportés	84 848	183 846
	3 129 465	5 018 569
Passif à long terme:		
Engagements du régime de retraite	2 074 629	1 924 000
Équité		
Réserves	1 529	1 529
Déficit	(262 050)	(938 985)
Équité en immobilisations	28 966 231	28 966 231
	28 705 710	28 028 775
	33 909 804 $	34 971 344 $

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

____________________ président

____________________ membre du Conseil

Draft

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds d'opération

Au 31 mars 2003 et 2002

	2003		2002	
Actif				
Actif à court terme:				
Sommes à recevoir:				
Province de la Nouvelle-Écosse	1 228 455	$	1 592 328	$
Gouvernement du Canada	1 057 651		2 070 612	
Gouvernement du Canada	149 547		190 373	
Autres	243 832		214 143	
Frais payés d'avance	187 930		12 128	
	2 867 415		4 079 584	
Actif a long terme:				
Province de la Nouvelle-Écosse – régime de retraite	2 074 629		1 924 000	
	4 942 044	$	6 003 584	$
Passif				
Passif à court terme:				
Chèques émis dépassant les fonds en dépôt	127 231	$	3 023 936	$
Fournisseurs et sommes à payer:				
Fournisseurs	1 787 660		1 446 348	
Ajustements salarials rétroactifs	1 018 989		293 437	
Autres	110 737		71 002	
Revenus reportés	84 848		183 846	
	3 129 465		5 018 569	
Passif à long terme:				
Engagements du régime de retraite	2 074 629		1 924 000	
Equité				
Déficit	(262 050)		(938 985)	
	(262 050)		(938 985)	
	4 942 044	$	6 003 584	$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

____________________ président

____________________ membre du Conseil

Draft

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

État des résultats - fonds d'opération

Exercice clos le 31 mars 2003 et 2002

	2003		2002
	Budget	Actuel	Actuel
Revenus:			
Province de la Nouvelle-Écosse	28 963 995 $	28 492 833 $	26 610 976 $
Gouvernement du Canada	938 790	918 426	1 003 180
Allocations des conseils scolaires	-	-	137 397
Autres revenus	109 395	249 730	1 334 012
Transfert du surplus	-	-	28 734
	30 012 180	29 660 989	29 114 299
Dépenses:			
Gouvernance du conseil scolaire	384 669	361 703	377 944
Administration du conseil scolaire	1 562 731	1 583 606	1 533 728
Administration scolaire et soutien	2 501 534	2 626 819	2 578 659
Instruction et services scolaires	15 645 298	16 003 522	15 710 162
Services aux élèves	2 638 285	2 559 096	2 259 380
Service d'entretien	3 672 250	3 980 274	4 076 644
Transport scolaire	2 668 420	2 797 848	2 654 505
Autres programmes	-	10 171	30 231
Transfert à l'année précédente	938 993	-	-
	30 012 180	29 923 039	29 221 253
Excédent dépenses sur les revenus avant le transfert de la réserve et les éléments inhabituels		(262 050)	(106 954)
Transfert de la réserve pour opérations		-	86 817
Excédent des revenus sur les dépenses (dépenses sur les revenues) avant les éléments inhabituels		(262 050)	(20 137)
Éléments inhabituels, radiation des sommes à recevoir et revenus		-	(918 848)
Excedent des revenues sur les dépenses (dépenses sur les revenues)		(262 050) $	(938 985)$

État de la continuité du surplus (déficit)

Exercice clos le 31 mars 2003 et 2002

	2003	2002
Surplus (déficit) au début de l'exercice	(938 985) $	28 734 $
Transfert des (aux) opérations courantes	938 985	(28 734)
	-	-
Excédent des dépenses sur les revenus	(262 050)	(938 985)
Déficit, à la fin de l'exercice	(262 050) $	(938 985) $

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

État de l'évolution de la situation financière

Exercice clos le 31 mars 2003 et 2002

	2003	2002
Rentrées (sorties) nettes liées aux opérations d'exploitation:		
Excédent des dépenses sur les revenus	(262 050) $	(938 993) $
Ajustements:		
Baisse aux sommes à recevoir	1 387 971	1 133 898
Baisse (augmentation) aux frais payés à l'avance	(175 800)	29 635
Augmentation (baisse) aux sommes à payer	1 106 597	(702 990)
Baisse aux revenus reportés	(98 998)	(14 046)
Transfert du surplus	938 985	(28 734)
	2 896 705	(521 230)
Augmentation (baisse) nette en liquidité	2 896 705	(521 230)
Liquidité au début de l'exercice	(3 023 936)	(2 502 706)
Liquidité à la fin de l'exercice	(127 231) $	(3 023 936) $

Voir les notes explicatives qui accompagnent ces états financiers.

Draft

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds de capital

Au 31 mars 2003 et 2002

	2003		2002	
Actif				
Immobilisations, au coût:				
Terrains, édifices et améliorations (note 2)	23 152 615	$	23 152 615	$
Équipement et fournitures	3 857 518		3 857 518	
Autobus scolaires et autres véhicules	1 956 098		1 956 098	
	28 966 231	$	28 966 231	$
Équité				
Équité en immobilisations	28 966 231	$	28 966 231	$
	28 966 231	$	28 966 231	$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

______________________ président

______________________ membre du Conseil

État de la continuité de l'équité en immobilisations

Exercice clos le 31 mars 2003 et 2002

	2003		2002	
Équité, au début de l'exercice	28 966 231	$	28 070 919	$
Achats d'immobilisations:				
Terrains, édifices et améliorations	-		933 146	
Équipement et fournitures	-		1 778	
	-		934 924	
Autobus scolaires et autres véhicules	-		193 517	
Mise hors service d'immobilisations:				
Autobus scolaires	-		(233 129)	
Équité, à la fin de l'exercice	28 966 231	$	28 966 231	$

Voir les notes explicatives qui accompagnent ces états financiers.

Draft

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds des réserves

Au 31 mars 2003 et 2002

	2003		2002	
Actif				
Encaisse	1 529	$	1 529	$
	1 529	$	1 529	$
Équité				
Réserve pour fonds de bourse	1 529	$	1 529	$
	1 529	$	1 529	$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

______________________ président

______________________ membre du Conseil

État de la continuité du fonds des réserves

Exercice clos le 31 mars 2003 et 2002

	2003		2002	
Équité, au début de l'exercice	1 529	$	88 306	$
Transfert aux opérations	-		(86 817)	
Intérêts et versements	-		40	
Équité, à la fin de l'exercice	1 529	$	1 529	$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers

Exercice clos le 31 mars 2003 et 2002

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1. **Conventions comptables:**

Ces états financiers ont été préparés selon les conventions comptables prescrites dans le nouveau "Draft School Board Financial Handbook" de la province de la Nouvelle-Écosse. Basé sur les principes comptables généralement reconnus, les dépenses sont inscrites d'après la comptabilité d'exercice à l'exception des salaires du personnel enseignant. Pendant cette année de transition le Conseil continue d'inscrire les propriétés et l'équipement au prix coûtants et n'inscrit pas d'amortissement sur ses biens immobiliers. Suite à cette année de transition le Conseil apportera des changements aux valeurs de ses actifs conformément au "Draft School Board Financial Handbook" de la province de la Nouvelle-Écosse qui préconise l'amortissement des actifs des conseils scolaires.

2. **Terrains, édifices et améliorations:**

D'après l'entente du 1 janvier 1982, tous les terrains et tous les édifices scolaires dont disposaient les municipalités le 31 décembre 1981 demeurent la propriété des municipalités concernées, mais sont administrés par les conseils scolaires tant et aussi longtemps qu'ils les utiliseront à leurs fins. Ensuite, leur contrôle passera de nouveau à la municipalité concernée.

En vertu des améliorations faites aux édifices scolaires, les conseils scolaires se sont portés acquéreurs de biens immobiliers auxquels ils n'ont aucun droit. D'après la Loi scolaire, dès qu'une municipalité vend un édifice qui lui est remis par le district scolaire, en vertu des circonstances énoncées ci-avant, une portion du produit des ventes est due au conseil scolaire. Dans le cas de recouvrement de sommes provenant des assurances, suite à la perte d'un édifice, une portion de cet argent proportionnelle aux améliorations serait également payable au conseil scolaire.

En vertu de l'entente créant les conseils scolaires en date du 9 janvier 1996, l'actif en biens immobiliers des anciens districts scolaires, ou du conseil d'école, est transféré aux conseils scolaires et respecte l'entente de 1982.

Les conseils, avec le ministère d'éducation de la Nouvelle-Écosse devront s'entendre sur la division des valeurs d'équité en immobilisations.

3. **Plan de pension:**

Les enseignants participent à un plan de pension établi par la Province de la Nouvelle-Écosse en vertu de la Teachers' Pension Act. Les autres employés participent à un plan de pension établi et géré par la Nova Scotia School Board Association.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers, page 2

Exercice clos le 31 mars 2003 et 2002

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4. **Éléments inhabituels:**

Le Conseil avait anticipé des fonds recevables de la province de la Nouvelle-Écosse à compter du 31 mars 2002 se chiffrant à 918 849$. Ces montants, refusés par la province, se référait principalement à une subvention additionelle basée sur des calculs en métrage carré effectués dans les écoles et à des remboursements de projets capitaux. Conformément avec son engagement, la province de la Nouvelle-Écosse a versé en subvention un montant de 918 849$ dans l'année fiscale se terminant le 31 mars 2003.

5. **Chiffres comparatifs:**

Certains chiffres dans la colonne comparative 2002 ont été reclassifiés afin d'accommoder la présentation pour l'année courante.

AUDITOR'S REPORT

To the Board of Directors of
Cumberland Health Authority

I have audited the balance sheet of Cumberland Health Authority as at March 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Cumberland Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year figures were audited by another firm of chartered accoutants.

S. J. MCISAAC
Chartered Accountant

Amherst, Nova Scotia
June 16, 2003

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	2003 Total	2002 Total
Current					
Cash and cash equivalents	$ 4,123,494	$ 18,173	$ 56,888	$ 4,198,555	$ 163,240
Receivables (Note 4)	2,325,878	416,879	—	2,742,757	8,443,784
Due from operating fund	—	2,490,117	—	2,490,117	2,237,288
Inventories	264,136	—	—	264,136	196,723
Prepaids	73,740	—	—	73,740	144,613
	6,787,248	2,925,169	56,888	9,769,305	11,185,648
Other Receivables (Note 5)	2,808,522	—	—	2,808,522	2,650,060
Capital assets (Note 6)	—	61,671,224	—	61,671,224	51,563,767
	$ 9,595,770	$ 64,596,393	$ 56,888	$ 74,249,051	$ 65,399,475

LIABILITIES

	Operating Fund	Capital Fund	Endowment Fund	2003 Total	2002 Total
Current					
Bank Overdraft	$ —	$ —	$ —	$ —	$ 738,077
Payables and accruals (Note 7)	3,720,333	537,274	—	4,257,607	7,713,631
Due to capital fund	2,490,117	—	—	2,490,117	2,237,288
Deferred revenue	1,438,112	3,060,777	—	4,498,889	1,380,463
Current portion of advance from province	—	80,280	—	80,280	—
Current portion of obligation under capital lease	—	3,584	—	3,584	3,584
	7,648,562	3,681,915	—	11,330,477	12,073,043
Long term debt					
Employee benefits (Note 8)	1,947,208	—	—	1,947,208	1,794,746
Advance from province (Note 10)	—	321,120	—	321,120	—
Obligation under capital lease (Note 11)	—	2,669	—	2,669	6,253
	9,595,770	4,005,704	—	13,601,474	13,874,042

Commitments (Note 14)
See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position (Continued)
March 31, 2003

FUND BALANCES (Page 129)

Restricted (Note 12). .	---	6,253	56,888	63,141	65,388
Unrestricted - investment in capital assets. . . .	---	60,584,436	---	60,584,436	51,460,045
	---	60,590,689	56,888	60,647,577	51,525,433
	$ 9,595,770	$ 64,596,393	$ 56,888	$ 74,249,051	$ 65,399,475

Statement of Operations - Operating fund
Year Ended March 31, 2003

	2003	2002
Revenues		
Nova Scotia Department of Health	$ 28,032,459	$ 26,290,093
Charges to M.S.I.	1,386,142	1,177,532
In-patients	247,121	388,640
Out-patients	956,309	866,261
Long-term care	847,663	849,968
Cafeteria Income	124,420	128,526
Investment income	6,949	21,797
Mental health joint projects	203,994	196,800
Community health board initiatives fund	---	22,675
Other income	87,207	80,141
	31,892,264	30,022,433
Expenses		
In-patient services	10,242,732	9,949,815
Ambulatory services	6,079,510	5,436,063
Diagnostic and therapeutic services	4,994,736	4,887,779
Support services	9,470,013	8,300,704
Community Services	1,843,955	1,568,520
Increase in vacation pay accrual	108,893	195,922
Employee future benefits	226,761	214,509
	32,966,600	30,553,312
Excess of expenses over revenues	(1,074,336)	(530,879)
Nova Scotia Department of Health Final Settlement	1,074,336	530,879
Excess of expenses over revenues	$ ---	$ ---

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2003

	Capital Fund	Endowment Fund	2003 Total	2002 Total
Restricted				
Balance, beginning of period	$ 9,837	$ 55,551	$ 65,388	$ 66,980
Transfer to unrestricted	(3,584)	—	(3,584)	(3,326)
Excess of revenues over expenses	—	1,337	1,337	1,734
Balance, end of period	$ 6,253	$ 56,888	$ 63,141	$ 65,388
Unrestricted				
Balance, at beginning of period	$ 51,460,045	$ —	$ 51,460,045	$ 27,079,340
Transfer from unrestricted	3,584	—	3,584	3,326
Capital asset funding				
Department of Health	12,400,335	—	12,400,335	21,433,406
Foundations	9,188	—	9,188	4,002,883
Auxiliaries	64,375	—	64,375	30,385
Other	132,513	—	132,513	24,604
Amortization	(3,484,988)	—	(3,484,988)	(1,113,025)
Capital debt charges	(616)	—	(616)	(874)
Balance, end of period	$ 60,584,436	$ —	$ 60,584,436	$ 51,460,045

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Endowment Fund	$ 1,337	$ 1,734
Change in non-cash working capital		
Receivables	5,542,565	(3,635,010)
Inventories	(67,413)	32,986
Prepaid expenses	70,873	36,354
Payables and accruals	(3,303,562)	1,945,146
Deferred revenue	3,118,426	67,977
	5,362,226	(1,550,813)
Financing and investing		
Capital asset funding	12,606,411	25,491,278
Interfund transfer - capital asset funding	3,584	3,326
Purchase of capital assets	(13,592,445)	(25,467,983)
Repayment of long term debt	(3,584)	(3,326)
Long term debt	401,400	---
Capital debt charges	(616)	(874)
	(585,250)	22,421
Decrease in restricted funds	(3,584)	(3,326)
	(588,834)	19,095
Net increase in cash and cash equivalents	4,773,392	(1,531,718)
Cash and cash equivalents, beginning of period	(574,837)	956,881
Cash and cash equivalents, end of period	$ 4,198,555	$ (574,837)

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Highland View Regional Hospital, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services.

2. Health Authorities Act

Cumberland Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition
Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories
Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific indentification for pharmaceuticals.

Capital assets

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

The Cumberland Health Authority follows the method of accounting for employee future benefits reqiured by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by the Authority in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of $1,947,208 (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is $226,762 (Note 8).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank and various funds held in trust.

4. Receivables

	Operating Fund	Capital Fund	2003 Total	2002 Total
Charges to M.S.I.	$ 113,180	$ —	$ 113,180	$ 92,531
Foundation and Auxiliaries	7,732	---	7,732	1,445,554
Harmonized sales tax	142,926	117,195	260,121	1,137,666
Patients	482,021	---	482,021	447,465
Other	393,325	---	393,325	225,623
	1,139,184	117,195	1,256,379	3,348,839
Nova Scotia Department of Health				
Construction and equipment	---	299,684	299,684	3,630,320
Final settlement and other	1,186,694	---	1,186,694	1,464,625
	1,186,694	299,684	1,486,378	5,094,945
	$ 2,325,878	$ 416,879	$ 2,742,757	$ 8,443,784

The resolution of final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	2003 Total	2002 Total
Nova Scotia Department of Health			
Vacation pay	$ 819,314	$ 819,314	$ 819,314
Employees benefits	1,947,208	1,947,208	1,794,746
Other	42,000	42,000	36,000
	$ 2,808,522	$ 2,808,522	$ 2,650,060

6. Capital assets

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 278,460	$ —	$ 278,460	$ 35,945
Land improvements	1,124,737	93,838	1,030,899	123,858
Buildings	56,738,934	3,609,563	53,129,371	13,708,574
Equipment	10,858,157	3,662,111	7,196,046	2,590,378
Equipment under capital lease	22,127	9,356	12,771	14,348
Construction in progress	23,677	—	23,677	35,090,664
	$ 69,046,092	$ 7,374,868	$ 61,671,224	$ 51,563,767

7. Payables and accruals

	Operating Fund	Capital Fund	2003 Total	2002 Total
Trade	$ 2,303,580	$ 537,274	$ 2,840,854	$ 6,405,771
Vacation pay	1,416,753	—	1,416,753	1,307,860
	$ 3,720,333	$ 537,274	$ 4,257,607	$ 7,713,631

8. Employee future benefits

The Cumberland Health Authority has provided for retirement allowances as follows:

Accrued benefit liability	2003	2002
Beginning balance, retiring allowance	$ 1,794,746	$ 1,621,537
Current service cost for the year	112,600	107,018
Amortization of experience gain	(3,638)	(5,009)
Interest cost during the year	117,800	112,500
Estimated fiscal payments for employees	(74,300)	(41,300)
Ending balance, retiring allowances	$ 1,947,208	$ 1,794,746

During the period, retiring allowances actually paid amount to $79,770 (2002-$56,788).

Employee future benefits expense		
Current service costs	$ 112,600	$ 101,018
Interest on accrued benefits	117,800	112,500
Amortization of experience gain	(3,638)	(5,009)
	$ 226,762	$ 208,509

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

Discount rate	6.17%	7.05%
Average age of employees	44.4	44.4
Expected average remaining service life	12.5	12.5
Average years of service	13.5	13.5
Rate of compensation increase	3.65%	3.65%

9. Pension fund

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed a funding excess for the entire plan over $107 million. An extrapolation to December 31, 2002 was preformed, which indicated a funding deficiency of $36.2 million.

Information to follow the recommendations of the CICA Handbook on defined benefit plans is not available, therefore the plan is accounted for following the recommendations for defined contribution plans. The authority's pension expense for the year amounted to $933,394 (2002-$861,316).

10. Advance from province

The advance from the Province of Nova Scotia is non-interest bearing and repayable in five equal annual instalments commencing in 2004.

11. Obligation under capital lease

The Authority leases equipment under a capital lease from Toshiba Canada Limited.

Future minimum lease payments are as follows:

	2003	2002
2003	$ —	$ 4,200
2004	4,200	4,200
2005	2,450	2,450
	6,650	10,850
Less: amount representing interest on capital lease at 7.25%	397	1,013
	6,253	9,837
Less: current portion	3,584	3,584
	$ 2,669	$ 6,253

As security, the Authority has pledged specific equipment.

12. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 11. The balance of the reserve was $6,253 (2002 - $9,837) as of March 31, 2003.

13. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling $1,000,000, bearing interest at the prime rate, all of which is unused at March 31, 2003.

14. Commitments

a) Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2004	$	568,100
2005	$	568,100
2006	$	498,800
2007	$	180,600
2008	$	180,600

b) Cumberland Health Authority has entered into agreements to spend $2,130,684 on additions to property and equipment at the Cumberland Regional Health Care Centre. This represents the balnce between the Nova Scotia Provincial Government Orders in Council of $51,300,000 and the total expendirures to date of $49,169,316.

15. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

Unaudited

ENVIRONMENTAL TRUST FUND

Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
Cash	$ 625	$ 1,229
Investments (Schedule 1)	5,686	4,977
	$ 6,311	$ 6,206

FUND EQUITY

	2003	2002
Fund equity	$ 6,311	$ 6,206

Statement of Income and Fund Equity
for the year ended March 31, 2003

	2003	2002
Revenues		
Interest	$ 158	$ 209
Expenses		
Bank charges	53	47
Net Income	105	161
Fund equity, beginning of year	6,206	6,045
Fund equity, end of year	$ 6,311	$ 6,206

Unaudited

ENVIRONMENTAL TRUST FUND

Notes to Financial Statements
March 31, 2002

1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

Schedule 1

ENVIRONMENTAL TRUST FUND

Schedule of Investments
March 31, 2003

Investment	Interest Rate	Maturity Date		Cost
BNS Banker's Acceptance	3.16%	June 3, 2003	$	5,686

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
May 30,2003

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003, with comparative figures for 2002

ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2003 Total	2002 Total
Current assets:					
Cash and marketable securities	$ 2,124,717	$ —	$ 200,316	$ 2,325,033	$ 2,389,848
Accounts receivable (note 2)	5,536,231	426,305	---	5,962,536	5,559,627
Inventories (note 3)	488,305	---	---	488,305	461,821
Prepaid expenses	337,686	---	---	337,686	221,360
	8,486,939	426,305	200,316	9,113,560	8,632,656
Capital assets (note 4)	---	29,375,839	---	29,375,839	29,260,780
Other receivable :					
Retirement allowance (note 7)	4,528,570	---	---	4,528,570	4,193,608
	$ 13,015,509	$ 29,802,144	$ 200,316	$ 43,017,969	$ 42,087,044

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2003 Total	2002 Total
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	$ 6,605,981	$ 386,190	$ ---	$ 6,992,171	$ 6,461,910
Deferred revenue	1,880,958	---	---	1,880,958	1,477,756
	8,486,939	386,190	---	8,873,129	7,939,666
Other liability:					
Retirement allowance (note 7)	4,528,570	---	---	4,528,570	4,193,608
Deferred contributions related to capital assets (note 6)	---	28,834,102	---	28,834,102	29,174,080
Fund balances:					
Investment in capital assets	---	581,852	---	581,852	581,852
Internally restricted	---	---	200,316	200,316	197,838
	---	581,852	200,316	782,168	779,690
	$ 13,015,509	$ 29,802,144	$ 200,316	$ 43,017,969	$ 42,087,044

Contingencies (note 11)

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2003, with comparative figures for 2002

	Operating Fund	Capital Fund	Restricted Fund	2003 Total	2002 Total
Revenue:					
Department of Health and Community Services	$ 33,940,476	$ ---	$ ---	$ 33,940,476	$ 33,112,842
Department of Health:					
Contract settlements . .	3,046,780	---	---	3,046,780	2,234,543
Retirement allowance funding	433,862	---	---	433,862	441,609
N.S. Medical Services Insurance (MSI)	2,746,219	---	---	2,746,219	2,192,365
Patient income.	1,491,285	---	---	1,491,285	1,274,841
Dietary recoveries	487,748	---	---	487,748	464,377
Foundations and auxiliaries	31,796	---	---	31,796	42,965
Rentals	83,235	---	---	83,235	67,844
Miscellaneous	92,310	---	---	92,310	86,608
Investment income.	29,768	---	2,478	32,246	61,064
Amortization of deferred contributions (note 8)	---	2,110,228	---	2,110,228	2,082,710
Laundry recoveries.	213,623	---	---	213,623	201,910
Capital funding.	---	2,105,718	---	2,105,718	1,177,448
	42,597,102	4,215,946	2,478	46,815,526	43,441,126
Expenditures:					
Nursing services.	16,628,429	---	---	16,628,429	16,080,400
Support services.	8,362,986	---	---	8,362,986	8,015,991
Diagnostic and therapeutic	6,525,871	---	---	6,525,871	5,762,661
Administrative services.	3,370,600	---	---	3,370,600	2,918,385
Medical services.	1,136,507	---	---	1,136,507	772,004
Non-portable programs .	5,568,743	---	---	5,568,743	5,156,195
Level III emergency services	1,047,671	---	---	1,047,671	921,390
Retirement allowance. . .	433,862	---	---	433,862	441,609
Contract settlement - NSNU, CAW and CUPE	---	---	---	---	622,623
Amortization of capital assets	---	2,110,228	---	2,110,228	2,082,710
Capital expenditures. . . .	---	2,225,287	---	2,225,287	1,177,448
	43,074,669	4,335,515	---	47,410,184	43,951,416
Net operating position before deficit funding . .	(477,567)	(119,569)	2,478	(594,658)	(510,290)
Deficit funding received from Department of Health	477,567	119,569	---	597,136	515,499
Excess of revenue over expenditures, for the year	$ ---	$ ---	$ 2,478	$ 2,478	$ 5,209

See accompanying notes to the financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2003, with comparative figures for 2002

	Investment in capital assets	Internally restricted	2003 Total	2002 Total
Balance, beginning of year	$ 581,852	$ 197,838	$ 779,690	$ 774,481
Excess of revenue over expenditures	---	2,478	2,478	5,209
Balance, end of year	581,852	$ 200,316	$ 782,168	$ 779,690

Statement of Cash Flows
Year ended March 31, 2003, with comparative figures for 2002

Cash provided by (used for):	2003	2002
Operations:		
Excess of revenue over expenditure	$ 2,478	$ 5,209
Items not involving cash:		
Amortization of capital assets	2,110,228	2,082,710
Amortization of deferred contributions related to capital assets	(2,110,228)	(2,082,710)
Changes in non-cash operating working capital:		
Increase in accounts receivable	(402,909)	(1,244,358)
Increase in inventories	(26,484)	(18,911)
Increase in prepaid expenses	(116,326)	(96,481)
Increase in accounts payable and accrued liabilities	530,261	1,271,874
Increase in deferred revenues	403,202	35,605
	390,222	(47,062)
Financing and investing activities:		
Additions to capital assets	(2,225,287)	(1,177,448)
Additions to deferred contributions related to capital assets	1,770,250	608,930
	(455,037)	(568,518)
Increase (decrease) in cash	(64,815)	(615,580)
Cash, beginning of period	2,389,848	3,005,428
Cash, end of period	$ 2,325,033	$ 2,389,848

See accompanying notes to the financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements
Year ended March 31, 2003

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation abolished Regional Health Boards and replaced them with District Health Authorities. The effects on the former Eastern Regional Health Board were as follows: St. Martha's Regional Hospital, Strait Richmond Hospital, Guysborough Memorial Hospital, Eastern Memorial Hospital and St. Mary's Memorial Hospital formed District Health Authority #7 and Inverness Consolidated Memorial Hospital, Sacred Heart Healthcare Centre, Victoria County Memorial Hospital and Buchanan Memorial Healthcare Centre joined with the Cape Breton Healthcare Complex to form District Health Authority #8. As a result of this legislation, the Eastern Regional Health Board ceased operations effective December 31, 2000 and was replaced by District Health Authority #7 on January 1, 2001.

On March 23, 2001 the District Board of the Health Authority #7 changed its name to operate as the Guysborough Antigonsh Strait Health Authority.

The Health Authority's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scoita.

1. Significant accounting policies:

a) Revenue Recognition

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

b) Marketable securities:

Marketable securities are valued at the lower of cost or market value.

c) Inventories:

Inventories are valued at cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Building, paving and land improvements	2.5%, 4%, 8%
Major equipment	5%, 6.67%, 10%, 20%

2. Accounts receivable:

	2003	2002
Patient services	$ 428,294	$ 489,523
Department of Health:		
Final settlement (March 31, 2003)	597,136	515,499
Vacation liability	1,331,500	1,331,500
Nursing strategy	170,336	102,298
Special maintenance	—	186,780
Hospital Information System project	2,152,440	306,512
Contract settlement	—	1,652,698
On Call Physician Program	95,276	—
Anesthesia/pathology	196,813	—
Other	44,096	101,125
Retirement allowance payouts	33,787	96,993
Nova Scotia Medical Insurance Services (M.S.I.)	51,693	71,104
Hospital foundations-operating (note 10)	2,294	11,000
Harmonized sales tax	298,051	285,010
Sundry	134,515	84,233
Due from capital fund	—	325,352
	5,536,231	5,559,627
Capital fund:		
Hospital foundations (note10)	41,798	—
Due from operating fund	384,507	—
	426,305	—
	$ 5,962,536	$ 5,559,627

3. Inventories:

	2003	2002
Medical and surgical	$ 80,588	$ 117,747
Drugs	254,244	213,446
Intravenous	5,904	8,253
Maintenance	16,254	14,841
Food	10,500	10,500
General	120,815	97,034
	$ 488,305	$ 461,821

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	$ 581,852	$ —	$ 581,852	$ 581,852
Buildings and paving	41,437,896	16,574,329	24,863,567	25,842,189
Equipment	19,840,591	15,910,171	3,930,420	2,836,739
	$ 61,860,339	$ 32,484,500	$ 29,375,839	$ 29,260,780

5. Accounts payable and accrued liabilities:

	2003	2002
Accounts payable and accrued liabilities	$ 3,231,001	$ 2,804,929
Accrued payroll:		
Salaries	1,201,903	1,035,719
Vacation pay	1,586,456	1,519,642
Contract settlement	---	622,623
Equipment payable	963	10,722
Cape Breton District Health Authority	201,151	142,923
Due to operating fund	384,507	---
	6,605,981	6,136,558
Capital fund:		
Due to operating fund	---	325,352
Accounts payable and accrued liabilities	386,190	---
	386,190	325,352
	$ 6,992,171	$ 6,461,910

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	2003	2002
Balance, beginning of year	$ 29,174,080	$ 30,647,860
Additional contributions received	1,770,250	608,930
Amounts amortized to revenue	(2,110,228)	(2,082,710)
Balance, end of year	$ 28,834,102	$ 29,174,080

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003	2002
Unamortized capital contributions used to purchase assets	$ 28,793,987	$ 28,678,928
Unspent contributions	40,115	495,152
	$ 28,834,102	$ 29,174,080

7. Retirement allowance:

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2002. An actuarial valuation has been performed to quanitify the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request, the following has been recorded in respect of retiring allowances accrued up to March 31, 2003:

	2003	2002
Opening balance	$ 4,193,608	$ 2,715,577
Retiring allowance expense computed with reference to the actuarial projection of expense for the year	433,862	441,609
Actuarial allocation adjustment	—	1,131,522
Retirement allowance payouts (estimated)	(98,900)	(95,100)
Funding receivable from the Department for the actual projected liability	$ 4,528,570	$ 4,193,608

8. Invested in capital assets:

a) Investment in capital assets is calculated as follows:

	2003	2002
Capital assets	$ 29,375,839	$ 29,260,780
Amounts financed by:		
Deferred contributions - spent	28,793,987	28,678,928
	$ 581,852	$ 581,852

b) Changes in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 2,110,228	$ 2,082,710
Amortization of capital assets	(2,110,228)	(2,082,710)
	$ —	$ —
Net change in investment in capital assets:		
Capital assets acquired	$ 2,225,287	$ 1,177,448
Amounts funded by deferred contributions	(2,225,287)	(1,177,448)
	$ —	$ —

9. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2003	2002
Accounts receivable:		
Retirement allowance	$ 4,528,570	$ 4,193,608
Final settlements	597,136	515,499
Vacation liability	1,331,500	1,331,500
Nursing strategy	170,336	102,298
Special maintenance	---	186,780
Hospital Information System project	2,152,440	306,512
Contract settlement	---	1,652,698
On Call Physician Program	95,276	---
Anesthesia/pathology	196,813	---
Other	44,096	101,125
Retirement allowance payouts	33,787	96,993
	$ 9,149,954	$ 8,487,013

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period in which settlement occurs.

10. Related parties:

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

The following amounts were due from or to the Foundations as at March 31:

	2003	2002
Operating fund:		
Due to Hospital Foundations:		
St, Martha's Regional Hospital Foundation	$ 1,012	$ 11,000
Guysbourough Memorial Hospital Foundation	1,282	---
	$ 2,294	$ 11,000
Capital fund:		
Due to Hospital Foundation:		
St, Martha's Regional Hospital Auxiliary	$ 41,798	$ ---

During the year ended March 31, 2003, the following amounts were received from the Foundations to purchase equipment:

	2003	2002
St. Martha's Regional Hospital Foundation	$ 150,000	$ 119,656
St. Martha's Regional Hospital Auxiliary	189,591	59,946
Strait Richmond Hospital Foundation	13,191	84,796
Guysbourough Memorial Hospital Foundation	8,900	7,589
Guysborough Memorial Hospital Auxiliary	---	7,589
	$ 361,682	$ 279,576

11. Contingencies:

Law Suit:

The Health Authority has been named a defendant in three law suits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that the Province of Nova Scotia, Department of Health and Community Services, will provide the necessary funding to meet obligations, if any, which may result from the legal actions.

12. Comparative figures:

Certain March 31, 2002 figures have been reclassified to conform to the presentation adopted for the current year.

AUDITORS' REPORT

To the Chairman and Commissioners of the
Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2002 and 2001 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
February 6, 2003

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Balance Sheet
December 31, 2002

	2002	2001 (in thousands)
ASSETS		
Current		
Cash (note 1 (e))	$ 9,713	$ 4,014
Receivables		
Trade	22	7
Accrued interest	25	8
Recoverable HST (note 2)	55	170
Prepaid expenses	197	149
	10,012	4,348
Deferred financing costs and discounts, net of accumulated amortization of $4,281 (2001 - $3,439) (note 1 (d))	4,141	4,983
Deferred transponder charges, net of accumulated amortization of $142 (2001 - $77) (note 9)	517	581
Capital Assets (note 3)	74,422	77,990
Restricted assets (note 4)		
Investment - OMA Fund	1,499	1,425
Investment - Debt Service Fund	2,975	2,975
Investment - Capital Fund	9,860	6,394
Investment - Sinking Fund	6,519	4,231
	$ 109,945	$ 102,927
LIABILITIES		
Current		
Payables and accruals	$ 431	$ 464
Capital project holdbacks payable	267	367
Accrued interest payable	456	456
Refundable customer transponder amounts (note 9)	1,305	1,007
Deferred revenue (note 1(b) and 5)	2,669	2,512
	5,128	4,806
Long-term debt (note 6)	123,000	123,000
DEFICIT		
Reserve for restricted assets (note 4)	20,853	15,025
Deficit	(39,036)	(39,904)
	(18,183)	(24,879)
	$ 109,945	$ 102,927

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Income and Deficit
year ended December 31, 2002

	2002	2001 (in thousands)
Revenue		
Toll revenue (note 1(b))	$ 22,983	$ 22,102
Other rate charges	135	135
Investment and sundry income		
OMA , Debt Service, Capital and Sinking Funds	844	648
Other	214	259
	24,176	23,144
Expenses		
Operating expenses	1,206	1,202
Maintenance expenses	2,341	2,229
Administrative expenses	2,033	1,918
Amortization of capital assets	4,386	4,169
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,449	7,895
	17,480	17,478
Net income	6,696	5,666
Deficit, beginning of year	(39,904)	(40,114)
	(33,208)	(34,448)
Appropriation to restricted asset reserve	(5,828)	(5,456)
Deficit, end of year	$ (39,036)	$ (39,904)

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows
year ended December 31, 2002

	2002	2001 (in thousands)
Operating Activities		
Net income	$ 6,696	$ 5,666
Amortization of capital assets	4,386	4,169
Amortization of deferred transponder charges	65	65
Amortization of debt discount and refinancing costs	842	842
Loss (gain) on disposal of capital assets	(26)	7
	11,963	10,749
Net change in non-cash operating balances (note 8)	356	431
	12,319	11,180
Investing Activities		
Proceeds from disposal of capital assets	28	27
Investment in capital fund investments	(3,466)	(3,302)
Investment in sinking fund investments	(2,288)	(2,183)
Increase in OMA fund investments	(74)	(57)
Decrease (increase) in Debt Service Fund investments	---	86
Purchase of capital assets	(820)	(5,588)
	(6,620)	(11,017)
Increase in cash during year	5,699	163
Cash, beginning of year	4,014	3,851
Cash, end of year	$ 9,713	$ 4,014

1. Significant Accounting Policies

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

		2002			2001
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
				(in thousands)	
Land		$ 5,735	$ —	$ 5,735	$ 5,735
Buildings	40 yrs s.l.	2,123	1,354	769	706
Bridge and bridge component					
A.L. Macdonald Bridge	20 to 85 yrs s.l.	66,832	15,954	50,878	53,482
A.M. MacKay Bridge	15 to 80 yrs s.l.	23,740	9,747	13,993	14,809
Electronic toll transponders	10 yrs s.l.	842	152	690	611
Computer equipment	30% d.b.	541	383	158	183
Toll and other equipment	20% d.b.	6,244	4,326	1,918	2,246
Mobile equipment	30 % d.b.	957	676	281	218
		$ 107,014	$ 32,592	$ 74,422	$ 77,990

4. Restricted assets (in thousands)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from the revenues of the Commission, after payment of current operating, maintenance, and administrative expenses. With the exception of the capital fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The operating, maintenance, and administrative (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the OMA fund had a market value of $1,499 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The debt service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the debt service fund had a market value of $2,975 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The Commission has been required to make quarterly contributions of $500 to the sinking fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2002, the sinking fund had a market value of $6,746 and was invested in various federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.68%.

The Commission has been required to make quarterly contributions of $750 to the capital fund, since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2002, the capital fund had a market value of $10,179 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 6.08% to 7.92%.

5. Deferred Revenue

	2002	2001
	(in thousands)	
Unredeemed Tokens	$ 1,643	$ 1,708
Electronic Toll Collection (ETC) Accounts	1,026	804
	$ 2,669	$ 2,512

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time, revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term debt (in thousands)

	2002	2001
	(in thousands)	
5.95% Toll Revenue Bonds Series 1 (see below)	$ 100,000	$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (line of credit)	23,000	23,000
	$ 123,000	$ 123,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, '2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal, or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the $100,000 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2002,, is $106,490.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next five years are as follows:

2003	$	5,000
2004	$	5,000
2005	$	5,000
2006	$	5,000
2007	$	5,000

7. Interest on long-term debt and amortization of deferred financing costs

	2002	2001
	(in thousands)	
Interest on long-term debt		
Toll Revenue Bonds Series 1	$ 5,950	$ 5,950
Line of Credit	657	1,103
Amortization of deferred financing costs and discounts	842	842
	$ 7,449	$ 7,895

8. Net change in non-cash operating balances

	2002	2001
	(in thousands)	
Increase (decrease) in cash from changes in:		
Receivables	$ 83	$ (36)
Prepaid expenses	(48)	(9)
Payables and accruals	(134)	62
Customer transponder amounts	298	263
Deferred revenue	157	151
	$ 356	$ 431

9. Transponders (in thousands)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital 'assets (see Note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Pension plan (in thousands)

The Commission sponsors a defined contribution pension plan for all their permanent employees. No future contributions are required in respect of past service at December 31, 2002. The Commission recognized an expense of $62 for pension contributions during the year ($61 for 2001).

11. Retirement Benefits (in thousands)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one months salary for their first ten years of service, plus one months salary for each additional full five years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $156 (2001 - $149) in retirement benefits as at December 31, 2002. The amount of $7 was charged to administrative and maintenance expenses for the year (2001 - $18) in this regard.

12. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The purposes of the Commission are to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

13. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

14. Additional Credit Facility (in thousands)

The Commission has a $5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2002, no advances were outstanding.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
The Halifax Regional School Board

We have audited the consolidated balance sheet of the Halifax Regional School Board as at March 31, 2003, and the consolidated statement of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

GRANT THORNTON LLP
Chartered Accountants

Dartmouth, Nova Scotia
May 30, 2003

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 4,128,341	$ 2,342,357
Receivables	14,349,961	5,425,371
Prepaids	17,702	633,816
	18,496,004	8,401,544
Service awards receivable (Note 3)	48,443,371	47,496,000
Capital assets (Note 2[b])		
Buildings	106,783,782	108,393,908
Equipment	1,708,410	3,179,256
Vehicles	82,878	39,514
	108,575,070	111,612,678
	$ 175,514,445	$ 167,510,222

LIABILITIES

	2003	2002
Current		
Payables and accruals	$ 13,727,356	$ 5,752,375
Deferred revenue	1,491,875	1,385,747
	15,219,231	7,138,122
Long term		
Service award liability (Note 3)	48,443,371	47,496,000
Due to Trust Funds	1,025	48
	48,444,396	47,496,048
	63,663,627	54,634,170

EQUITY

	2003	2002
Surplus - Supplementary Fund (Page162)	149,369	114,204
Investment in capital assets(Page 163)	108,575,070	111,612,678
Reserve funds (Page 163)	3,126,379	1,149,170
	111,850,818	112,876,052
	$ 175,514,445	$ 167,510,222

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Statement of Operations
Year ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia	$ 211,382,200	$ 218,708,928	$ 215,370,487
Halifax Regional Municipality	84,572,900	84,572,104	79,743,100
Government of Canada	2,212,400	2,060,755	2,071,221
Board operations	3,840,400	4,015,352	3,388,572
	302,007,900	309,357,139	300,573,380
Expenditure			
School services	244,518,204	248,422,647	242,718,748
Regional board management	1,883,200	1,973,559	1,730,577
Business services	51,419,900	52,263,810	50,719,080
Corporate services	4,300,800	4,684,749	4,114,863
	302,122,104	307,344,765	299,283,268
Excess (deficiency) of revenue over expenditure	(114,204)	2,012,374	1,290,112
Transfer to General Fund Reserve	—	(2,321,270)	(631,966)
Transfer from General Fund Reserve	—	339,966	—
Transfer to Program Resourse Reserve	—	(513,109)	(517,204)
Transfer from Program Resourse Reserve	—	517,204	—
Transfer from Supplementary Funds Reserve	—	—	701,972
Prior year's surplus (deficit)	114,204	114,204	(728,710)
Excess of revenue over expenditure	$ —	$ 149,369	$ 114,204

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

General and Supplementary Fund
Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 4,128,341	$ 2,342,357
Receivables		
Province of Nova Scotia	10,983,076	2,416,512
Government of Canada	209,351	524,758
Commodity taxes	2,213,140	1,648,620
Other	944,394	835,481
Prepaids	17,702	633,816
	18,496,004	8,401,544
Long term service awards receivable (Note 3)	48,443,371	47,496,000
	$ 66,939,375	$ 55,897,544

LIABILITIES

	2003	2002
Current		
Payables and accruals	13,727,356	5,752,375
Deferred revenue	1,491,875	1,385,747
	15,219,231	7,138,122
Long term		
Due to Trust Funds	1,025	48
Due to Reserve Funds	3,126,379	1,149,170
Service award liability (Note 3)	48,443,371	47,496,000
	51,570,775	48,645,218
	66,790,006	55,783,340

EQUITY

	2003	2002
Surplus		
Supplementary Fund (Page 162)	149,369	114,204
	149,369	114,204
	$ 66,939,375	$ 55,897,544

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

General Fund
Statement of Operations
Year ended March 31, 2003

		2003		2002
	Page	Budget	Actual	Actual
Revenue				
Province of Nova Scotia . . .	167	$ 211,382,200	$ 218,708,928	$ 215,370,487
Halifax Regional Municipality	167	63,725,900	63,725,904	59,601,200
Government of Canada	167	2,212,400	2,060,755	2,071,221
Board Operations	167	3,840,400	4,015,352	3,388,572
		281,160,900	288,510,939	280,431,480
Expenditure				
School services	167-168	224,028,000	228,082,612	222,587,089
Regional board management	169	1,883,200	1,973,559	1,730,577
Business services.	169-170	50,948,900	51,792,810	50,242,080
Corporate services	170	4,300,800	4,684,749	4,114,863
		281,160,900	286,533,730	278,674,609
Excess of revenue over expenditure.		—	1,977,209	1,756,871
Transfer to General Fund Reserve.		—	(2,321,270)	(631,966)
Transfer from General Fund Reserve		—	339,966	—
Transfer to Program Resources Reserve.		—	(513,109)	(517,204)
Transfer from Program Resources Reserve.		—	517,204	—
Prior year's deficit.		—	—	(607,701)
Excess of revenue over expenditure		$ —	$ —	$ —

General Fund
Statement of Continuity of Surplus
Year ended March 31, 2003

	2003	2002
Balance, beginning of year.	$ —	$ (607,701)
Transfer of prior year's deficit to statement of operations	—	607,701
Balance, end of year	$ —	$ —

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund
Statement of Operations and Surplus
Year Ended March 31, 2003

		2003		2002
	Page	Budget	Actual	Actual
Revenue				
Halifax Regional Municipality	171-173	$ 20,847,000	$ 20,846,200	$ 20,141,900
Expenditure				
School services	171-173	20,490,204	20,340,035	20,131,659
Business Services	171-173	75,000	75,000	75,000
Administration allocation	171-173	396,000	396,000	402,000
		20,961,204	20,811,035	20,608,659
Excess (deficiency) of revenue over expenditure		(114,204)	35,165	(466,759)
Prior year's surplus (deficit)		114,204	114,204	(121,009)
Excess of revenue over expenditure		$ ---	$ 149,369	$ (587,768)

	2003	2002
Surplus, beginning of year	$ 114,204	$ (121,009)
Excess of expenditures over revenue	149,369	(587,768)
Transfer from Supplementary Funds Reserve	---	701,972
Transfer of prior year's surplus (deficit) to statement of operations	(114,204)	121,009
Surplus, end of year	$ 149,369	$ 114,204

Capital Fund
Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Buildings (Note 2[b])	$ 106,783,782	$ 108,393,908
Equipment (Note 2[b])	1,708,410	3,179,256
Vehicles	82,878	39,514
	$ 108,575,070	$ 111,612,678

EQUITY

	2003	2002
Investment in capital assets (Page 163)	$ 108,575,070	$ 111,612,678

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Capital Fund
Investment in Capital Assets
Year ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 111,612,678	$ 115,152,465
Capital purchases out of revenue		
Vehicles	43,364	39,514
Buildings	348,156	268,875
	391,520	308,389
	112,004,198	115,460,854
Capital assets written off		
Equipment	1,470,846	1,880,528
Buildings	1,958,282	1,967,648
	3,429,128	3,848,176
	$ 108,575,070	$ 111,612,678

Reserve Funds
Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Due from General Fund	$ 3,126,379	$ 1,149,170
EQUITY		
Reserve Funds (See below)	$ 3,126,379	$ 1,149,170

Reserve Funds (Note 8)
Statement of Continuity of Reserves
March 31, 2003

	General Fund	Program Resources	2003 Total	2002 Total
Balance, beginning of year	$ 631,966	$ 517,204	$ 1,149,170	$ 701,972
Transfers to General Fund	(339,966)	(517,204)	(857,170)	—
Transfers from General Fund	2,321,270	513,109	2,834,379	1,149,170
Transfers to Supplementary Fund	—	—	—	(701,972)
Balance, end of year	$ 2,613,270	$ 513,109	$ 3,126,379	$ 1,149,170

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Notes to the Consolidated Financial Statements
March 31, 2003

1. Nature of operations

The Halifax Regional School Board manages education programs and finances of public schools within the Halifax Regional Municipality.

2. Significant accounting policies

(a) Basis of accounting and consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general, supplementary, capital, and reserve funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for salaries, which are recorded as an expense when paid.

(b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	$	250,000
Leasehold improvements	$	250,000
Computer hardware	$	25,000
Motor vehicles	$	15,000
Major equipment	$	50,000

Assets were written off in accordance with the criteria prescribed by the Department of Education. All asset additions acquired prior to 2001 are written off after a period of five years has elapsed. The Board does not record depreciation on its assets.

Under the agreement with the municipal councils, all school building and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time as the Board no longer requires the asset for school purposes. At that time control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

(c) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

(d) Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

3. Service awards

Qualifying employes receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which payment is to be made.

During the year ended March 31, 2003, the Board paid $540,602 (2002 - $2,910,130) in service awards to employees retiring prior to April 1, 2002. All current service awards were paid by the Province.

The Province of Nova Scotia assumed responsibility for the payment of service award to qualifying employees effective April 1, 2002 and all school boards in Nova Scotia are now required to recognize the projected liability with respect to these service awards. The projected liability is offset by a receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount, as determined by the Province of Nova Scotia, to the Province as a result of the Province assuming the responsibility for the payment of these service awards.

4. Pension plans

(a) Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

(b) Other

As of January 1, 2000 the pension plans covering non-teaching staff were transferred to the Halifax Regional Municipality Pension Plan.

5. Commitments

(a) The Board has entered into agreements to lease buildings and office equipment for various periods until 2008. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

	Buildings	Equipment	Total
2004	$ 72,659	$ 138,865	$ 211,524
2005	50,874	---	50,874
2006	50,874	---	50,874
2007	50,874	---	50,874
2008	25,437	---	25,437
	$ 250,718	$ 138,865	$ 389,583

The Board is also committed to lease photocopiers. The payment is based on usage and, therefore, cannot be accurately estimated.

(b) The Board has contracted for the provision of transportation services until June 30, 2006. The cost of this contract approximates $10,368,000 per annum.

In addition, the Board is committed to spend an additional amount of approximately $295,000 for other transportation services in 2004.

(c) The Board is committed to pay management fees of approximately $90,300 for the five months ended August 31, 2003 to Ashford Properties for services related to O'Connell Drive School.

6. Contingencies

The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 2003. It is likely that such expenditures will continue in future years and will be funded as incurred. The future liability relating to environmental matters in its properties is not determinable at this time.

The Board has been named in a legal action by a student for the provision of educational services. The likely outcome and amount, if any, of this action is not determinable at this time.

A union has commenced an action against the Board for an alleged breach of an article within agreements between the Board and the union. The likely outcome and potential liability is not determinable at this time, and no provision has been made in these financial statements to provide for this claim.

7. Bank indebtedness

The board has an operating line of credit of $3,000,000 with interest at prime. As at March 31, 2003, this line of credit had not been utilized.

8. Reserve Funds

(a) Program Resources Reserve

The Program Resources reserve is earmarked specifically for schools. It relates to balances of school program resource budgets carried forward to subsequent years to enable schools to better manage and plan over the long term.

(b) General Fund Reserve

The General Fund Reserve represents remaining unrestricted funds available for future operations. Included is $292,000 which has been committed but not yet expended.

9. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support

10. Comparative figures

Certain of the comparative figures for 2002 have been reclassified to conform with the financial statement presentation adopted for 2003.

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Revenue
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia			
Formula funding	$ 208,391,800	$ 214,792,594	$ 207,823,976
Provincial initiatives	1,624,300	1,400,672	1,839,428
Emergency capital	1,014,200	1,771,907	2,068,911
French special projects	142,400	107,502	148,308
Other	209,500	636,253	3,489,864
	$ 211,382,200	$ 218,708,928	$ 215,370,487
Halifax Regional Municipality			
Mandatory	$ 63,725,900	$ 63,725,904	$ 59,601,200
Government of Canada			
Adult ESL	$ 901,800	$ 769,233	$ 807,212
Minority official language	244,900	206,407	244,874
French special projects	342,300	298,754	371,032
Other	723,400	786,361	648,103
	$ 2,212,400	$ 2,060,755	$ 2,071,221
Board Operations			
Investment income	$ 400,000	$ 374,079	$ 462,546
Community education fees	78,400	91,770	133,557
Summer School Fees	135,000	136,104	141,015
Facilities rental	480,000	601,588	303,113
EXCEL	2,000,000	1,876,794	1,726,406
International Students	535,000	641,435	435,598
Other	212,000	293,582	186,337
	$ 3,840,400	$ 4,015,352	$ 3,388,572

General Fund
Detail of Expenditure
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
School Services			
Teachers' salaries			
Classroom	$ 133,922,400	$ 135,651,295	$ 133,248,126
Special Ed	15,759,000	15,668,568	12,551,371
Teacher librarians	816,100	684,819	621,762
Guidance	3,286,900	3,484,366	3,119,341
Administrators	14,965,100	14,940,249	14,696,189
DOE increment settlement	---	---	1,508,574
	168,749,500	170,429,297	165,745,363
Substitutes	7,000,000	7,382,681	7,337,484

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
School Services (continued)			
Non-teachers' salaries			
Educational program assistants	11,653,400	11,335,409	10,832,078
Library technicians	241,200	234,757	212,420
School and administrative secretaries	4,708,200	4,552,075	4,594,096
Lunch and buss monitors	850,000	708,118	861,544
Tutors and security	305,100	216,981	228,198
	17,757,900	17,047,340	16,728,336
Benefits	15,521,500	18,642,332	18,796,266
Special education supplies and materials	97,000	96,717	79,847
Tuition agreements	175,000	77,305	156,416
Textbooks and classroom supplies			
School based and centrally managed materials	3,824,300	4,219,931	3,867,832
Textbook credit allocation	2,820,500	2,817,422	2,708,023
	6,644,800	7,037,353	6,575,855
Regional and area teams			
Teachers salaries	2,504,700	2,477,151	2,468,403
Benefits	134,500	136,209	124,410
Supplies	126,800	119,264	33,088
	2,766,000	2,732,624	2,625,901
Professional Development			
PD leadership	398,600	503,042	440,757
PD days	910,300	638,864	989,176
Supplies and materials	208,100	236,291	254,477
	1,517,000	1,378,197	1,684,410
Community education projects	1,633,600	1,317,548	1,338,854
Other			
Telephones, data and fax lines	898,000	895,989	899,247
Travel	349,000	284,357	362,995
	1,247,000	1,180,346	1,262,242
Equipment and technology	918,700	760,872	256,115
	$ 224,028,000	$ 228,082,612	$ 222,587,089

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Regional Board Management			
Board Members			
Honoraria	$ 113,300	$ 113,330	$ 112,050
NSSBA dues	153,500	146,182	146,182
Travel and conferences	53,000	43,249	54,210
Other	30,000	59,265	31,093
	349,800	362,026	343,535
Board Administration			
Salaries	767,200	881,520	707,658
Benefits	95,700	90,747	82,758
Supplies and materials	250,500	209,036	196,518
Professional services	400,000	406,934	382,772
Travel	20,000	23,296	17,336
	1,533,400	1,611,533	1,387,042
	$ 1,883,200	$ 1,973,559	$ 1,730,577
Business Services			
Board Administration			
Salaries	$ 2,023,000	$ 1,952,742	$ 2,108,634
Benefits	312,600	299,798	352,751
Supplies and materials	111,000	124,456	85,004
Liability insurance	300,800	298,836	228,018
Professional fees	40,000	55,420	41,499
Interest and service charges	300,000	274,277	244,159
Other	95,000	99,913	101,402
	3,182,400	3,105,442	3,161,467
Facilities and Grounds			
Salaries: Maintenance	1,840,400	1,536,154	1,327,038
Custodial	10,770,300	10,234,346	9,096,277
Benefits	2,769,800	2,679,723	2,355,476
Supplies and materials			
Maintenance	2,980,000	3,191,723	3,633,855
Custodial	748,000	889,106	1,000,129
Facilities rental	210,000	105,384	160,432
Travel and mileage	60,000	38,196	37,403
Insurance	498,000	519,281	380,392
Utilities: Electricity	3,797,600	4,295,249	3,768,745
Heating fuel	3,049,400	3,386,874	2,473,674
Water/sewer	675,000	760,835	769,888
Telephone/fax/data	117,000	76,151	112,226
Vehicles	275,000	206,697	373,654
Contracted services			
Maintenance	525,400	455,004	516,289
Snow removal	537,700	914,794	645,737
Garbage	499,300	556,049	591,211
Grass cutting	175,000	229,933	167,139
P3 school maintenance	235,000	205,036	212,671
Cleaning services	—	—	1,660,254
Relocation expense	128,500	346,642	386,589
	29,891,400	30,627,177	29,669,079

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2003

	2003		2002
	Budget	**Actual**	**Actual**
Business Services (continued)			
Student transportation	11,510,500	11,737,892	11,024,200
Capital repairs and renovations	2,870,900	3,288,940	3,735,095
Technology Services			
Salaries	811,900	768,848	652,976
Benefits	136,200	136,884	112,916
Supplies and materials	354,000	405,821	215,080
IEIE - Non-salary expenses	176,000	174,149	377,872
Other	201,000	153,752	52,574
	1,679,100	1,639,454	1,411,418
EXCEL program			
Salaries	1,377,700	1,121,593	1,179,143
Benefits	121,400	89,172	88,393
Supplies and materials	126,800	95,597	149,967
Other	63,700	44,050	31,297
	1,689,600	1,350,412	1,448,800
Facilities rentals			
Salaries	482,500	410,874	169,264
Benefits	27,000	23,806	20,338
Supplies and materials	11,500	4,813	4,419
	521,000	439,493	194,021
Administration allocation from Supplementary Fund	(396,000)	(396,000)	(402,000)
	$ 50,948,900	$ 51,792,810	$ 50,242,080
Corporate Services			
Board Administration			
Salaries	$ 1,386,900	$ 1,364,230	$ 1,140,530
Benefits	176,500	176,470	179,151
Supplies and materials	269,000	274,315	249,082
Professional services	60,000	150,399	6,042
Telephones	27,000	23,497	55,168
Other	257,000	235,163	340,566
	2,176,400	2,224,074	1,970,539
Staff development			
Sabbaticals	800,000	262,834	606,154
Professional development	800,000	1,494,726	1,011,680
	1,600,000	1,757,560	1,617,834
International students program	331,500	512,206	348,571
Summer school	130,000	113,412	102,120
Community projects	62,900	77,497	75,799
	$ 4,300,800	$ 4,684,749	$ 4,114,863

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax
Detail of Revenue and Expenditure
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue			
Halifax Regional Municipality	$ 12,295,800	$ 12,295,000	$ 11,879,941
Expenditure			
School services			
Teachers' salaries			
Classroom	4,859,000	5,147,616	4,708,133
Special Ed	2,088,800	1,970,807	1,982,298
Guidance	50,400	61,790	40,650
Administrators	832,000	946,694	810,189
Substitutes	235,900	227,495	230,009
Non-teachers' salaries			
Educational program assistants	775,900	805,006	828,085
Library technicians	746,700	752,187	742,940
School secretaries	195,700	163,075	177,932
Student support workers	60,900	61,414	59,871
Benefits	1,203,400	927,383	1,075,315
Textbooks and classroom supplies	1,101,580	947,373	739,552
	12,150,280	12,010,840	11,394,974
Administration allocation	233,600	233,592	238,000
	12,383,880	12,244,432	11,632,974
Excess (deficiency) of revenue over expenditure	(88,080)	50,568	246,967
Prior year's surplus (deficit)	88,080	88,080	(158,887)
Excess of revenue over expenditure	$ —	$ 138,648	$ 88,080

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Dartmouth
Detail of Revenue and Expenditure
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue			
Halifax Regional Municipality	$ 5,239,200	$ 5,239,200	$ 5,061,975
Expenditure			
School services			
Teachers' salaries			
Classroom	2,011,500	2,307,093	2,180,719
Special Ed	785,200	730,930	722,124
Guidance	112,300	40,104	34,987
Administrators	137,600	130,687	132,376
Substitutes	91,400	88,514	93,641
Non-teachers' salaries			
Educational program assistants	342,600	347,417	320,435
Library technicians	417,900	388,224	415,582
School secretaries	104,700	97,389	104,481
Student support workers	30,500	30,430	29,935
Benefits	518,400	404,364	475,829
Textbooks and classroom supplies	546,814	519,537	378,530
	5,098,914	5,084,689	4,888,639
Student transportation	75,000	75,000	75,000
Administration allocation	99,500	99,504	102,000
	5,273,414	5,259,193	5,065,639
Deficiency of revenue over expenditure	(34,214)	(19,993)	(3,664)
Prior year's surplus	34,214	34,214	37,878
Excess of revenue over expenditure	$ ---	$ 14,221	$ 34,214

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax County/Bedford
Detail of Revenue and Expenditure
Year Ended March 31, 2003

	2003		2002
	Budget	**Actual**	**Actual**
Revenue			
Halifax Regional Municipality	$ 3,312,000	$ 3,312,000	$ 3,199,984
Expenditure			
Centrally managed funds:			
Teachers' salaries			
Classroom	30,000	30,630	—
Special Ed	610,900	737,267	386,227
Substitutes	18,300	19,543	11,780
Non-teachers' salaries			
Educational program assistants	27,200	25,296	16,987
Benefits	67,837	65,097	40,861
Textbooks and classroom supplies	—	—	726,936
	754,237	877,833	1,182,791
Family allocations:			
Budget allocated to families	2,486,773	—	—
Teachers' salaries			
Classroom	—	793,466	725,649
Special Ed	—	333,050	459,605
Teacher librarians	—	88,486	91,586
Administrators	—	17,535	10,625
Substitutes	—	32,872	62,030
Non-teachers' salaries			
Educational program assistants	—	189,733	380,218
Library technicians	—	480,052	462,120
School secretaries	—	93,989	66,664
Student support workers	—	—	46,095
Benefits	—	266,801	360,663
Textbooks and classroom supplies	—	70,689	—
	2,486,773	2,366,673	2,665,255
Administration allocation	62,900	62,904	62,000
	3,303,910	3,307,410	3,910,046
Excess (deficiency) of revenue over expenditure	8,090	4,590	(710,062)
Transfer from Reserve	—	—	701,972
Prior year's deficit	(8,090)	(8,090)	
Excess (deficiency) of revenue over expenditure	$ —	$ (3,500)	$ (8,090)

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds
March 31, 2003

	George Perrin	Christopher Maxwell	Abbie J. Lane	Doane Hatfield	Annie M. Piercey	James R. Pineo	Almar H. Shatford	Mengie Shulman	Harold T. Barrett
Cash	$ 1,032	$ 29	$ 2,157	$ 31	$ 368	$ 10,571	$ ---	$ 3,746	$ 657
Restricted cash	10,000	500	8,500	500	5,000	---	16,849	—	10,000
Due to Operating Fund	(483)	---	(1,201)	(20)	---	(491)	(89)	(369)	---
Due from Operating Fund	---	---	---	---	8	---	---	---	17
Investments	---	---	---	---	---	100,000	---	---	---
	$ 10,549	$ 529	$ 9,456	$ 511	$ 5,376	$ 110,080	$ 16,760	$ 3,377	$ 10,674
Equity Fund	$ 10,549	$ 529	$ 9,456	$ 511	$ 5,376	$ 110,080	$ 16,760	$ 3,377	$ 10,674
Balance, beginning of year	$ 10,788	$ 517	$ 10,422	$ 519	$ 5,248	$ 105,630	$ 16,470	$ 3,663	10,416
Donations	---	---	---	---	---	---	---	---	
Other	---	---	---	---	---	---	---	---	
Interest earned	261	12	252	12	128	9,450	405	89	258
	11,049	529	10,674	531	5,376	115,080	16,875	3,752	10,674
Awards paid	(500)	---	(1,218)	(20)	---	(5,000)	(115)	(375)	---
Balance, end of year	$ 10,549	$ 529	$ 9,456	$ 511	$ 5,376	$ 110,080	$ 16,760	$ 3,377	$ 10,674

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds (continued)
March 31, 2003

	Carl & Rita Turner	Nick Oxner	John Travers Cornwell	Edith Cavell Prize	Donald Keith	Madeline LePage Godin	Spryfield Auxiliary	Ron Ruggles Memorial Fund	2002/2003 Total	2001/2002 Total
Cash	$ 3,285	$ 5,829	$ 12,078	$ 1,124	$ 795	$ 2,896	$ 2,585	$ 1,524	$ 48,707	$ 54,359
Restricted cash	---	---	---	—	7,023	5,000	---	---	63,372	55,817
Due to Operating Fund	(495)	(473)	(381)	—	(688)	(213)	(1,254)	(250)	(6,407)	(9,947)
Due from Operating Fund	---	---		1,000	---	---	---	—	1,025	48
Investments	---	---		—	---	---	---	---	100,000	100,000
	$ 2,790	$ 5,356	$ 11,697	$ 2,124	$ 7,130	$ 7,683	$ 1,331	$ 1,274	$ 206,697	$ 200,277
Equity Fund	$ 2,790	$ 5,356	$ 11,697	$ 2,124	$ 7,130	$ 7,683	$ 1,331	$ 1,274	$ 206,697	$ 200,277
Balance, beginning of year	$ 3,211	$ 2,651	$ 11,750	$ 1,100	$ 7,644	$ 7,723	$ 2,525	$ ---	200,277	$ 192,726
Donations	—	3,091	---	1,000	---	---	—	1,755	5,846	18,007
Other	---	---	64	---	---	---	---	---	64	---
Interest earned	79	114	283	24	186	185	60	19	11,817	13,039
	3,290	5,856	12,097	2,124	7,830	7,908	2,585	1,774	218,004	223,772
Awards paid	(500)	(500)	(400)	---	(700)	(225)	(1,254)	(500)	(11,307)	(23,495)
Balance, end of year	$ 2,790	$ 5,356	$ 11,697	$ 2,124	$ 7,130	$ 7,683	$ 1,331	$ 1,274	$ 206,697	$ 200,277

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2003, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
June 19, 2003

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Earnings and Deficit
Year Ended March 31, 2003

	Budget 2003	Actual 2003	2002
Revenue			
Facility revenue	$ 13,279,714	$ 13,864,445	$ 13,515,205
Interest income	390,000	409,148	510,021
	13,669,714	14,273,593	14,025,226
Expenses			
Bondholder representative fees	168,000	100,544	191,407
Trustee fees	28,450	39,387	27,603
Salaries and benefits	174,913	166,887	174,158
Office	56,560	53,211	46,686
General and administrative	288,451	122,676	183,143
Enforcement	60,000	60,000	60,000
Independent engineer	50,000	31,686	29,956
Routine maintenance	706,468	709,594	689,084
Major maintenance	609,400	485,452	1,174,708
Facility operations	1,723,426	1,674,587	1,609,072
Transponders	---	71,558	36,714
	3,865,668	3,515,582	4,222,531
Earnings before other items	9,804,046	10,758,011	9,802,695
Other Items			
Government assistance amortization (Note 2)	1,147,444	1,147,444	1,092,804
Amortization and depreciation	(2,661,471)	(2,673,954)	(2,576,310)
Interest on long term debt	(8,376,608)	(8,376,608)	(8,315,568)
Net earnings	$ (86,589)	$ 854,893	$ 3,621
Deficit, beginning of year		$ (10,976,268)	$ (8,671,313)
Net earnings		854,893	3,621
Transfer to reserve for restricted assets (Note 10)		(3,452,394)	(2,308,576)
Deficit, end of year		$ (13,573,769)	$ (10,976,268)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Cash and cash equivalents	$ 498,108	$ 482,740
Inventory	7,630	21,820
Prepaids (Note 3)	329,283	364,608
Receivables (Note 4)	80,907	201,950
Restricted assets (Note 5)	16,221,280	12,768,884
Facility (Note 6)	112,509,031	115,062,126
Deferred costs (Note 7)	571,399	682,754
	$ 130,217,638	$ 129,584,882

LIABILITIES

	2003	2002
Payables and accruals	$ 664,495	$ 484,965
Deferred revenue	581,874	525,181
Long term debt (Note 8)	82,096,714	81,407,630
Payable to the Province of Nova Scotia (Note 9)	250,000	250,000
Deferred government assistance (Note 2)	49,916,124	51,063,568
	133,509,207	133,731,344

SHAREHOLDERS' DEFICIENCY

	2003	2002
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 10)	10,282,199	6,829,805
Deficit	(13,573,769)	(10,976,268)
	(3,291,569)	(4,146,462)
	$ 130,217,638	$ 129,584,882

Commitments and contractual obligations (Note 13)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 854,893	$ 3,621
Government assistance amortization	(1,147,444)	(1,092,804)
Amortization of deferred financing fees	35,434	35,433
Amortization and depreciation	2,673,954	2,576,310
	2,416,837	1,522,560
Change in non-cash operating working capital (Note 12)	406,781	83,099
	2,823,618	1,605,659
Financing		
Increase in long term debt, net	689,084	627,993
Investing		
Increase in restricted assets	(3,452,394)	(2,227,329)
Construction of facility	(44,940)	(3,192)
	(3,497,334)	(2,230,521)
Net increase in cash and cash equivalents	15,368	3,131
Cash and cash equivalents, beginning of year	482,740	479,609
Cash and cash equivalents, end of year	$ 498,108	$ 482,740

See accompanying notes to the financial statements.

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. Summary of significant accounting policies

Pre-operating and operating periods

The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility

The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, indeptndent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of $44,940. These costs are being amortized over three years under the straight line method.

Deferred costs - start up

Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and are being amortized to operations, on a pro-rata basis, over a five year period commencing at the start of the operating period.

Deferred costs - financing fee

Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance

Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compunding rate of 5%.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids

	2003	2002
Operating expenses	$ 44,040	$ 79,365
Advance to operator	285,243	285,243
	$ 329,283	$ 364,608

4. Receivables

	2003	2002
Harmonized Sales Tax	$ 52,827	$ 53,455
Other	28,080	148,495
	$ 80,907	$ 201,950

5. Restricted assets

	Cash	Investments	2003 Total	2002 Total
Senior debt service reserve account	$ 864	$ 5,787,040	$ 5,787,904	$ 5,640,312
Capital reserve account	775,493	6,626,385	7,401,878	4,693,140
Major maintenance reserve account	(174,354)	3,205,852	3,031,498	2,435,432
	$ 602,003	$ 15,619,277	$ 16,221,280	$ 12,768,884

Investments are recorded at cost, have a weighted average term of 14.79 (2002-6.19) months to maturity and a weighted average interest rate of 3.69% (2002-2.84%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	2003 Net book Total	2002 Net book Total
Facility	$ 124,667,559	$ 12,158,528	$ 112,509,031	$ 115,062,126

7. Deferred costs

	2003	2002
Start up	$ ---	$ 75,921
Financing fees	571,399	606,833
	$ 571,399	$ 682,754

8. Long term debt

	2003	2002
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30,1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	$ 71,385,924	$ 69,890,604
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	10,710,790	11,517,026
	$ 82,096,714	$ 81,407,630

Minimum principal repayments required are as follows:

2004	$ 896,554
2005	996,970
2006	1,108,652
2007	2,498,137
2008	2,750,909

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is $100,579,000 (2002 - $97,159,000) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

9. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

10. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2003	2002
Reserve for restricted assets, beginning of year	$ 6,829,805	$ 4,521,229
Transfers from project account	10,920,000	10,780,000
Interest income	395,337	485,205
Long term debt payments, including interest	(7,652,141)	(7,652,141)
Major maintenance payments, including HST to be recovered	(210,802)	(1,304,488)
	3,452,394	2,308,576
Reserve for restricted assets, end of year	$ 10,282,199	$ 6,829,805

11. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 8 to the financial statements.

12. Supplemental cash flow information

		2003		2002
Change in non-cash operating working capital				
Inventory	$	14,190	$	2,713
Prepaids		35,325		(48,090)
Receivables		121,043		(56,447)
Payables and accruals		179,530		156,760
Deferred revenue		56,693		28,163
	$	406,781	$	83,099
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	$	498,108	$	482,740
Interest paid	$	6,845,904	$	6,927,124

13. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**
  Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfil its obligations to the Province.

  Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty-year period, at which time this right will revert back to the Province.

  The Province contributed $55,000,000 to the project.

- **Operating Agreement**
  Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

  Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

- **Major Maintenance Reserve Fund Agreement**
  Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposted in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer was renewed for a five year term in November 2002.

The estimated deposits required to fund anticipated major mainenance for the next five years are as follows:

2004	$	700,000
2005		700,000
2006		700,000
2007		700,000
2008		700,000

- **Annual Roadway Maintenance Agreement**
  The five year agreement, renewed March 3, 2003, between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $830,600 and subsequently adjusted thereafter for inflation.

- **Facility Upgrade**
  At year end, the Corporation had entered into an agreement to upgrade the existing lane controllers for the facility. The Agreement will expire August 31, 2003 and has an estimated cost of $80,000.

- **Other**
  The Corporation has also entered in various operating lease agreements for equipment and office space. The minimum lease payments for the next four years are as follows:

2004	$	27,348
2005		27,348
2006		18,232

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and

To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2003, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of $27,402,469 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which might be determined to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 2003 and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 8 of the Industrial Development Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. SALMON, FCA
Auditor General

Halifax, Nova Scotia
June 20, 2003

INDUSTRIAL EXPANSION FUND

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
	(in thousands)	
Financial assets, at cost		
Loans - Industrial Development Act	$ 50,693	$ 66,630
Loans - Venture Corporations Act (Note 4)	809	809
Royalty rights (Note 5)	9,618	9,623
Shares (Note 6)	8,395	16,044
	69,515	93,106
Less: Provision for concessionary assistance (Note 7)	18,624	34,707
Allowance for doubtful accounts	14,755	17,423
	33,379	52,130
	36,136	40,976
Due from consolidated fund		
Guarantees (Note 8)	126,266	111,942
Less: Provision for payment under guarantees	566	5,259
	125,700	106,683
Assistance authorized but unadvanced	1,747	5,573
	127,447	112,256
	$ 163,583	$ 153,232

FUNDING AUTHORIZED AND COMMITTED

	2003	2002
Authorized, net of write-offs		
Industrial Development Act	$ 269,683	$ 297,086
Venture Corporations Act	4,408	4,408
	274,091	301,494
Less: Provision for concessionary assistance and possible losses on assistance (Note 9)	33,945	57,389
Net fund balance	240,146	244,105
Less: Uncommitted balance of fund	76,563	90,873
	$ 163,583	$ 153,232

Contingency (Note 10)

See accompanying notes to the financial statements.

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund
Under the Industrial Development Act

March 31, 2003

	2003	2002
	(in thousands)	
Balance, beginning of year	$ 297,086	$ 299,024
Deduct: Accounts written off	27,403	1,938
Balance, end of year	$ 269,683	$ 297,086
Comprising:		
Loans receivable, shares, rights and other assets	$ 68,706	$ 92,297
Guarantees in effect and utilized	109,166	96,535
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized	18,847	20,980
Uncommitted balance	72,964	87,274
	$ 269,683	$ 297,086

Statement of Continuity of Fund
Under the Venture Corporations Act

March 31, 2003

	2003	2002
	(in thousands)	
Balance, beginning of year	$ 4,408	$ 5,685
Deduct: Accounts written off	—	1,277
Balance, end of year	$ 4,408	$ 4,408
Comprising:		
Loans advanced	$ 809	$ 809
Uncommitted balance	3,599	3,599
	$ 4,408	$ 4,408

Statement of Continuity of Fund
Under the Terms of the Canada-Nova Scotia
Development Fund Agreement

March 31, 2003

	2003	2002
	(in thousands)	
Balance, beginning of year	$ —	$ 1,138
Deduct: Accounts written off	—	1,138
Balance, end of year	$ —	$ —
Comprising:		
Loans advanced	$ —	$ —
Uncommitted balance	—	—
	$ —	$ —

See accompanying notes to the financial statements.

INDUSTRIAL EXPANSION FUND

Notes to the Financial Statements
March 31, 2003

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province. All assistance by th Fund is required to be approved by Order in Council.

Effective November 6, 2001, pursuant to Order in Council 2001-523, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a corporation formed under the Nova Scotia Business Incorporated Act. The Fund's account and assistance management activities are performed by staff of the Office of Economic Development.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b) and (c) below.

Administrative expenses and interest revenue

(a) Administrative expenses of the Fund are included in the accounts of Nova Scotia Business Inc. and are not reflected in the financial statements of the Fund. Expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in the financial statements.

Statement of cash flow

(b) A statement of cash flows is not provided since disclosure in the statements of continuity of the funds and the balance sheet are considered adequate.

Current assets

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for concessionary assistance

(d) The Fund provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for doubtful accounts

(e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

Royalty rights

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Use of estimates

(g) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Fair Values of Financial Instruments

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies and wholly-owned subsidiaries. Due to the limited amount of comparable market information available it was not practical to determine the fair value of these assets.

4. Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no payments (2002 - NIL) were received.

	2003	2002
		(in thousands)
Loans made to venture corporations	$ 809	$ 809
Less: Allowance for doubtful accounts	809	809
	$ —	$ —

5. Royalty rights

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the companies.

6. Shares

	2003	2002
		(in thousands)
Preferred shares	$ 4,763	$ 12,412
Common shares	3,632	3,632
	$ 8,395	$ 16,044

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

7. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, for accounts with provision for concessionary assistance and net book value related to each of these loans and shares is as follows:

	2003			2002
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value
				(in thousands)
Loans	$ 28,791	$ 17,724	$ 11,067	$ 17,968
Shares	2,763	900	1,863	2,349
	$ 31,554	$ 18,624	$ 12,930	$ 20,317

8. Guarantees

	2003	2002
		(in thousands)
Guarantee - in effect and utilized	$ 109,166	$ 96,535
Guarantee - in effect but not utilized	17,100	15,407
	$ 126,266	$ 111,942

During the year, two guarantees totalling $4,692,744 were paid out (2002 - $2,000,000).

9. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	2003	2002
	(in thousands)	
Balance, beginning of year	$ 57,389	42,231
Add accounts transferred from the Nova Scotia Business Development Corporation Fund	—	12,473
	57,389	54,704
Add current year provision	3,959	5,900
Less: accounts written-off	27,403	3,215
Balance, end of year	$ 33,945	$ 57,389

10. Contingencies

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

11. Related party transactions

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) The Fund provided a guarantee in the amount of $20,400,000 to the Nova Scotia Government Fund. At March 31, 2003, the Fund had dispersed $11,900,000 in accordance with this guarantee. The guarantee has been provided on terms and conditions that would be similar to those of non-related parties.

(b) The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

12. Credit risk

Credit risk is the risk that the debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Fund regularly monitors entities to whom financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis of a number of accounts in order to assess the Fund's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance, or the last analysis. Changes in risk are reflected in the carrying value of the assistance via the allowance for doubtful accounts and the provision for payment under guarantees.

AUDITORS' REPORT

To the Minister of Health

We have audited the statement of financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2003 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The opening balances were not audited by an independent accountant, and we have not examined nor do we express an opinion on the comparative figures presented in the financial statements.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
September 26, 2003

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Financial Position
March 31, 2003

ASSETS

	2003	(Unaudited) 2002
Cash	$ 7,434,013	$ 3,668,611
Receivables		
Seniors	463,037	281,586
Low Income Trust Fund	17,660	17,660
Department of Health	1,625,786	1,708,000
Investments (Note 2)	5,693,388	8,493,960
	$ 15,233,884	$ 14,169,817

LIABILITIES

	2003	(Unaudited) 2002
Payables and accruals	$ 5,674,379	$ 4,732,141
Payable to Department of Health (Note 3)	1,169,063	1,579,611
Unearned Premiums	8,390,442	7,858,065
	$ 15,233,884	$ 14,169,817

Statement of Operations
year ended March 31, 2003

	2003	(Unaudited) 2002
Revenue		
Seniors		
Premiums paid by seniors (Note 2)	$ 13,828,116	$ 9,320,018
Co-payments to pharmacies	23,091,227	22,439,195
	36,919,343	31,759,213
Department of Health	86,410,548	81,045,209
Investment Income	339,423	466,136
	123,669,314	113,270,558
Expenses		
Provider Claims (Note 2)	123,669,314	113,270,558
Excess of revenue over expenses	$ ---	$ ---

See accompanying notes to the financial statements.

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Cash Flows
March 31, 2003

	2003	(Unaudited) 2002
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	$ ---	$ ---
Changes in non-cash operating working capital		
Receivables	(99,237)	85,597
Payables and accruals	942,238	480,729
Prepaid premiums	532,377	5,666,214
	1,375,378	6,232,540
Financing		
Repayment of excess advances from Department of Health	(410,548)	(8,410,594)
Investing		
Proceeds on sale of investments, net	2,800,572	2,485,030
Net increase in cash and cash equivalents	3,765,402	306,976
Cash and cash equivalents		
Beginning of year	3,668,611	3,361,635
End of year	$ 7,434,013	$ 3,668,611

See accompanying notes to the financial statements.

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Notes to the Financial Statements
March 31, 2003

1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-In-Council 95-557 and amended by Order-In-Council 2000-471 effective April 11, 2000. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under other government programs or primary drug coverage through a contract of insurance.
- Eligible seniors are required to pay an annual premium of $215 plus a co-payment fee of 33% of prescription costs to a maximum of $350 per year. Annual premiums are waived for low-income seniors.
- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

2. Summary of significant accounting policies

Premium Revenues
Premium revenues are recorded on the accrual basis.

Claim Expenses
Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of Program
Atlantic Blue Cross Corporation administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

Investments
Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

Use of estimates
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments

The Trust's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Payable to Department of Health

This payable consists primarily of excess funding from the Department of Health at year end as follows:

		2003	(Unaudited) 2002
Payable (receivable) to Department of Health, beginning of year		$ 1,579,611	$ 9,990,205
Add:	Payments from Department of Health	86,000,000	72,634,615
Less:	Net Program expenses	(86,410,548)	(81,045,209)
Payable to Department of Health, end of year		$ 1,169,063	$ 1,579,611

AUDITORS' REPORT

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2003 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
May 22, 2003

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Operations
Year Ended March 31, 2003

	2003	2002
Revenue		
Inpatient, outpatient and clinics	$ 111,572,000	$ 105,694,000
Department of Community Services	2,457,000	2,252,000
Rentals, recoveries and sales	5,415,000	5,129,000
Mental health	6,732,000	5,861,000
Grants from Health Centre Foundations	397,000	397,000
	126,573,000	119,333,000
Expenses		
Children's acute and continuing care	19,988,000	18,223,000
Children's acute and emergency care	17,994,000	16,349,000
Maternal and newborn health	27,055,000	25,511,000
Mental health services	9,390,000	8,438,000
Women's health	5,159,000	4,639,000
Maritime health and partnership	—	9,000
Professional and academic	14,751,000	13,926,000
Operations and support	29,528,000	28,176,000
Executive offices and administration	853,000	1,086,000
Non portable	971,000	1,039,000
	125,689,000	117,396,000
Net income from operations	$ 884,000	$ 1,937,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash and cash equivalents	$ 13,033,000	$ 10,731,000
Receivables (Note 3)	10,337,000	12,709,000
Receivable from the Health Centre Foundations	361,000	917,000
Inventories	1,085,000	1,056,000
Prepaids	814,000	668,000
	25,630,000	26,081,000
Retirement allowance receivable (Note 9)	7,439,000	6,794,000
Property and equipment (Note 4)	107,748,000	105,952,000
	$ 140,817,000	$ 138,827,000

LIABILITIES

	2003	2002
Current		
Payables and accruals (Note 5)	$ 17,182,000	$ 15,436,000
Deferred revenue - DOH advance	4,697,000	4,287,000
	21,879,000	19,723,000
Retirement allowances (Note 9)	7,439,000	6,794,000
Appropriations and reserves (Note 7)	5,304,000	6,358,000
	34,622,000	32,875,000

FUND BALANCES (Page 201)

	2003	2002
Capital Fund	106,195,000	105,952,000
	$ 140,817,000	$ 138,827,000

Contingency (Note 12)

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Fund Balances
Year Ended March 31, 2003

	2003	2002
Capital Fund		
Balance, beginning of year	$ 105,952,000	$ 104,068,000
Funding for capital additions		
Specified donations for equipment	335,000	52,000
Transfers from operations	884,000	1,937,000
Transfer from appropriations and reserves	6,411,000	7,093,000
	7,630,000	9,082,000
Capital debt repayment	(225,000)	(239,000)
Depreciation	(7,162,000)	(6,959,000)
	(7,387,000)	(7,198,000)
Balance, end of year	$ 106,195,000	$ 105,952,000
Operating Fund		
Balance, beginning of year	$ —	$ —
Net income from operations	884,000	1,937,000
Transfer to capital fund	(884,000)	(1,937,000)
Balance, end of year	$ —	$ —

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Net income from operations	$ 884,000	$ 1,937,000
Change in non-cash operating working capital (Note 11)	4,090,000	(1,599,000)
	4,974,000	338,000
Financing		
Capital debt repayment	(225,000)	(239,000)
Specified donations for equipment	335,000	52,000
Transfers from appropriations and reserves	6,411,000	7,093,000
	6,521,000	6,906,000
Investing		
Purchase of property and equipment	(8,957,000)	(8,843,000)
Employee advances	(236,000)	87,000
	(9,193,000)	(8,756,000)
Net increase (decrease) in cash and cash equivalents	2,302,000	(1,512,000)
Cash and cash equivalents		
Beginning of year	10,731,000	12,243,000
End of year	$ 13,033,000	$ 10,731,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Notes to the Financial Statements
March 31, 2003

1. Purpose of Organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Health Centre is a not-for-profit organization under the Income Tax Act.

2. Summary of significant accounting policies

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories
Inventories are valued at the lower of cost and replacement cost.

Property and equipment
Property and equipment assets are stated at cost. Depreciation is provided on the straight-line basis over the expected useful life of the asset as determined by the Canadian Hospital Accounting Manual:

Buildings and service equipment	2% to 5%
Major equipment	
Shareable, various	5% to 20%
Non-shareable, various	5% to 20%

Appropriations and reserves
Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

Donations
Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits
The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

Financial instruments
The Health Centre's financial instruments consist of cash, receivables, payables and accruals, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

3. Receivables

	2003	2002
Patients and other accounts receivable, net of allowance for doubtful accounts of $169,000 (2002 - $105,000)	$ 5,054,000	$ 4,793,000
Nova Scotia Department of Health year end adjustments	5,283,000	7,916,000
	$ 10,337,000	$ 12,709,000

Year end adjustments are comprised of:

Accumulated deficit 1998/1999	1,468,000
Accumulated deficit 2002/2003	3,230,000
NS Nursing Strategy - Continuing Education	136,000
Provincial Help Desk	343,000
Provincial HIS Project	42,000
Nursing Relocation	39,000
Other	25,000
	$ 5,283,000

Of the total receivable from the Nova Scotia Department of Health, as of April 2003, $143,000 has been received.

4. Property and equipment

	2003			2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 4,598,000	$ —	$ 4,598,000	$ 3,854,000
Building and service equipment	112,074,000	26,613,000	85,461,000	85,395,000
Major equipment	30,367,000	12,822,000	17,545,000	16,548,000
Group home	206,000	62,000	144,000	155,000
	$ 147,245,000	$ 39,497,000	$ 107,748,000	$ 105,952,000

5. Payables and accruals

	2003	2002
Trade payables	$ 7,697,000	$ 6,073,000
Accrued salaries and benefits	5,451,000	6,766,000
Funds held on behalf of others	3,809,000	2,597,000
Nova Scotia Department of Health	225,000	—
	$ 17,182,000	$ 15,436,000

6. Credit facility

The Health Centre has been approved for a line of credit of $2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2002 - $Nil). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

7. Appropriations and reserves

The following is a summary of the amounts in appropriations and reserves:

	2003	2002
Capital		
Equipment	$ 246,000	$ 1,484,000
General renovations	—	859,000
Capital campaign construction	949,000	645,000
Capital campaign undecided	49,000	115,000
	1,244,000	3,103,000
Board fellowship	308,000	265,000
Windsor fellowship	90,000	90,000
Neonatal fellowship	21,000	84,000
Research funds	3,641,000	2,816,000
	$ 5,304,000	$ 6,358,000

The following is a summary of the continuity of appropriations and reserves:

	2003	2002
Balance, beginning of year	$ 6,358,000	$ 5,958,000
Grants from Health Centre Charitable Foundations	1,787,000	2,600,000
Department of Health funding	2,040,000	528,000
Research funding	5,093,000	4,370,000
Capital campaign fund	929,000	2,575,000
Other funding	252,000	1,323,000
	10,101,000	11,396,000
Transfer to capital fund	(6,411,000)	(7,093,000)
Disbursements		
Research	(4,268,000)	(3,398,000)
Other	(476,000)	(505,000)
	(11,155,000)	(10,996,000)
Balance, end of year	$ 5,304,000	$ 6,358,000

8. Capital debt repayment

As part of the assumption of capital debt by the Nova Scotia Department of Health, the Health Centre is required to make an annual capital debt payment based on its "ability to pay" which is calculated at the annual per capita tax grant and 12 1/2% of the room differential as at March 31, 2002. The Health Centre is made the final annual payment in fiscal 2003.

9. Retirement allowances

The Health Centre maintains a non-contributory retirement allowance program offered to employees. The most recent actuarial valuation was conducted as at December 31, 2000. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Retirement allowances (continued)

Information about the retirement allowance is as follows:

		2003		2002
Accrued benefit obligation				
Balance, beginning of year	$	6,794,000	$	6,113,000
Current service cost		458,000		389,000
Interest cost		426,000		397,000
Amortization of experience gains/losses		(43,000)		18,000
Benefits paid		(196,000)		(123,000)
Balance, end of year	$	7,439,000	$	6,794,000
Funded status - plan deficit	$	(7,469,000)	$	(6,158,000)
Unamortized net actuarial loss (gain)		30,000		(636,000)
Accrued benefit liability recognized	$	(7,439,000)	$	(6,794,000)

The Health Centre's net expense for the retirement allowance is as follows:

		2003		2002
Retirement allowance	$	841,000	$	804,000

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003:

Discount rate	6.17%
Rate of compensation increase	3.65 - 6.15%
Termination rates	1.2 - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 were utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to $4,357,000 (2002 - $3,957,000).

11. Supplement cash flow information

		2003		2002
Change in non-cash operating working capital:				
Receivables	$	2,607,000	$	(1,033,000)
Receivable from Health Centre Foundations		556,000		(633,000)
Inventories		(29,000)		(130,000)
Prepaids		(146,000)		(149,000)
Payables and accruals		1,746,000		(122,000)
Deferred revenue		410,000		68,000
Appropriations and reserves, net		(1,054,000)		400,000
	$	4,090,000	$	(1,599,000)
Cash and cash equivalents consist of:				
Cash on hand and balances with banks	$	13,033,000	$	10,731,000

12. Contingency

The Health Centre has been named as a defendant in a legal action relating to malpractice. Counsel is unable to form an opinion regarding the merit of this claim, and therefore it is not possible to estimate a payment amount, if any. However, it is expected that any payment that may arise from this claim would be funded entirely by the liability insurance carrier.

13. Comparative figures:

Certain of the prior year figures have been restated to confirm to the presentation adopted for the current year.

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Balance Sheet
as at March 31, 2003

ASSETS

Current Assets		
Petty Cash		$ 25.00
Bank Operating Account	14,579.27	
T-Bill Account	21,009.78	
Total Cash		35,589.05
Total Current Assets		35,614.05
Fixed Assets		
Computer Equipment	19,059.16	
Accum Computer Equipment	(19,059.16)	
Net Office Equipment		---
Total Fixed Assets		---
Total Assets		$ 35,614.05

LIABILITIES

Current Liabilities		
Accounts Payable		$ ---
UIC Payable	---	
CPP Payable	---	
Income Tax Payable	---	
Receiver General Payable		---
Total Current Liabilities		---
Total Liabilities		$ ---

EQUITY

Surplus	
Surplus Beginning of Year	24,908.54
Surplus Current Year	10,705.51
Accumulated Surplus	35,614.05
Total Equity	35,614.05
Liabilities and Equity	$ 35,614.05

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Income Statement
as at March 31, 2003

Revenue		
Operating & Project Income		
Dept. of Justice	$	---
NS Law Foundation Contribution		250,000.00
Interest Income		287.18
PYS (DO NOT USE)		---
Total Contributions		250,287.18
Total Revenue		250,287.18
Expense		
Administrative Expenses		
Wages	155,806.31	
EI Expense	3,070.12	
CPP Expense	4,403.67	
Group Insurance Expense	5,418.50	
Total Personnel Related		168,698.60
Advertising		---
Non Legal Consultants Fees		450.00
Commissioners Fees & Expenses		2,840.08
Electrical Expense		982.66
Meeting Costs		707.39
Library		1,740.02
Accounting Fees		750.00
Membership Fees		1,256.83
Professional Fees		2,367.53
Computer Software/Supplies/Repairs		1,098.23
Internet		1,301.95
Staff Expenses		1,529.00
Temp Staff Expense		5,842.14
Rent	18,654.20	
Office Equipment Rental	2,938.23	
Insurance	585.00	
Total Premises Related		22,177.43
Office Supplies	2,482.47	
Parking	630.69	
Photocopy/Printing	4,776.84	
Postage & Courier	1,768.35	
Telephone Expense	2,867.21	
Travel/Conference/Workshop	7,038.45	
Staff Development & Registration Fees	55.00	
Total Office Related		19,619.01
Bank Charges		270.20
HST Paid on Purchases		3,890.14
GST Paid on Purchases		85.00
HST Expense		3,975.46
Total Administration		239,581.67
Total Expense		239,581.67
Net Income	$	10,705.51

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia and;
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2003 and the statements of changes of net assets available for benefits in the members' retiring allowance account and the members' supplementary retiring allowance account for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2003 and changes in net assets available for benefits in the members' retiring allowance account and members' supplementary retiring allowance account for the period then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 6, 2003

ACCOUNTS ESTABLISHED UNDER THE MEMBERS' RETIRING ALLOWANCES ACT

Statement of Net Assets Available for Benefits and Accrued Pension Benefits as at March 31, 2003

	2003	2002
NET ASSETS AVAILABLE FOR BENEFITS		
Receivable from the Consolidated Fund		
Members' Retiring Allowance Account	$ 16,822,836	$ 14,503,159
Less: Accounts payable and accruals	8,000	10,400
	16,814,836	14,492,759
Members' Supplementary Retiring Allowance Account	45,013,751	38,805,041
Less: Accounts payable and accruals	12,000	15,600
	45,001,751	38,789,441
	$ 61,816,587	$ 53,282,200
ACCRUED PENSION BENEFITS OBLIGATIONS		
Members' Retiring Allowance Account (Note 3)	$ 16,814,836	$ 14,492,759
Members' Supplementary Retiring Allowance Account (Note 3)	45,001,751	38,789,441
	$ 61,816,587	$ 53,282,200

Statement of Changes in Net Assets Available for Benefits in the Members' Retiring Allowance Account for the year ended March 31, 2003

	2003	2002
Increase in Assets		
Interest	$ 1,214,381	$ 1,035,064
Contributions		
Members' - matched	221,256	220,752
Government - matched	221,256	220,752
Government - unmatched	142,497	30,588
Total increase in assets	1,799,390	1,507,156
Decrease in Assets		
Allowances (pensions)	840,352	811,867
Professional services	11,391	9,661
Total decrease in assets	851,743	821,528
Increase in Net Assets before Actuarial Adjustment	947,647	685,628
Actuarial adjustment (Note 3)	1,374,430	1,429,281
Increase in Net Assets after Actuarial Adjustments	2,322,077	2,114,909
Net Assets Available for Benefits at Beginning of Year	14,492,759	12,377,850
Net Assets Available for Benefits at End of Year	$ 16,814,836	$ 14,492,759

(See accompanying notes to financial statements)

ACCOUNTS ESTABLISHED UNDER THE MEMBERS' RETIRING ALLOWANCES ACT

Statement of Changes in Net Assets Available for Benefits in the Members' Supplementary Retiring Allowance Account for the year ended March 31, 2003

	2003	2002
Increase in Assets		
Interest	$ 3,247,892	$ 2,770,321
Contributions		
Members' - matched	71,244	71,248
Government - matched	71,244	71,248
Government - unmatched	1,378,365	1,096,839
Total increase in assets	4,768,745	4,009,656
Decrease in Assets		
Allowance (pensions)	2,160,904	2,087,658
Professional services	17,087	14,491
Total decrease in assets	2,177,991	2,102,149
Increase in Net Assets before Actuarial Adjustment	2,590,754	1,907,507
Actuarial Adjustment (Note 3)	3,621,556	4,752,984
Increase in Net Assets before Actuarial Adjustment	6,212,310	6,660,491
Net Assets Available for Benefits at Beginning of Year	38,789,441	32,128,950
Net Assets Available for Benefits at End of Year	$ 45,001,751	$ 38,789,441

ACCOUNTS ESTABLISHED UNDER THE MEMBERS' RETIRING ALLOWANCES ACT

Notes to Financial Statements
for the year ended March 31, 2003

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account, and 10% of allowances to the Members' Supplementary Retiring Allowance Account. The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the last three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the Legislative Assembly. At year end, 48 were contributors to the accounts and the remaining four members had reached the 15 year maximum contributory service. There are also 105 allowances in pay at March 31, 2003 to former Members of the Legislative Assembly, surviving spouses and/or dependant children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

3. Actuarial Valuation

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Ltd., performed a valuation as at December 31, 2001 and issued their report in July 2002. An extrapolation of the December 31, 2001 valuation was performed as of March 31, 2003. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2003	**Valuation December 31, 2001**
Members' Retiring Allowance Account	$ 16,814,836	$ 14,353,000
Members' Supplementary Retiring Allowance Account	$ 45,001,751	$ 38,331,900

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	Extrapolation March 31, 2003	**Valuation December 31, 2001**
Members' Retiring Allowance Account	$ 1,378,186	$ 1,472,662
Members' Supplementary Retiring Allowance Account	$ 3,614,737	$ 3,941,538

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

	Extrapolation March 31, 2003	**Valuation December 31, 2001**
Investment earnings		
- pre-retirement rate	6.17%	7.05%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.08%	3.93%
Salary escalation	3.0%	3.0%
Cost of living	3.0%	3.0%

Average retirement age	i) Age 55 if current age is less than 51.25	i) Age 55 if current age is less than 50
	ii) Current age +4.25 if 51.25 is less than or equal to current age less than or equal to 57.25	ii) Current age +5.5 if 50 is less than or equal to current age less than or equal to 56
	iii) Later of current age +0.25 or 5 years of service if current age less than or equal to 58.25	iii) Later of current age +1.5 or 5 years of service if current age less than or equal to 57
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000

4. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation for this year.

AUDITOR'S REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2003 and the statements of revenue, expenditures and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The balance sheet for March 31, 2002 was reported on by the Auditor General of Nova Scotia.

KPMG LLP
Chartered Accountants

Halifax, Nova Scotia
May 27, 2003

NOVA SCOTIA BUSINESS INCORPORATED

Balance Sheet

March 31, 2003, with comparative figures for 2002

ASSETS

	2003	2002
	(in thousands)	
Current assets:		
Cash	$ 9,243	$ 100
Accrued interest receivable	792	—
Due from the Province of Nova Scotia	8,654	7,505
Other receivables	562	5
	19,251	7,610
Nova Scotia Business Fund assets:		
Loans receivable (notes 3 and 7)	119,958	123,053
Equity investments (notes 4 and 7)	7,098	8,995
Industrial Parks and malls (note 5)	4,742	4,965
Other assets (notes 6 and 7)	119	136
	131,917	137,149
	$ 151,168	$ 144,759

LIABILITIES and EQUITY

	2003	2002
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,905	$ 7,610
Provision for payment of guarantees (note 7)	2,596	3,509
Principal due within one year to the Province of Nova Scotia	13,284	15,480
	26,785	26,599
Long-term debt:		
Due to the Province of Nova Scotia (note 8)	114,142	118,160
Equity (note 9):		
Retained earnings	10,241	—
	$ 151,168	$ 144,759

Commitments (note 11)
Contingencies (note 12)

See accompanying notes to the financial statements

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Revenue, Expenditures and Retained Earnings
Year ended March 31, 2003, with comparative figures for 2002

	2003	(Unaudited) 2002
	(in thousands)	
Revenue:		
Provincial grants:		
Operating grant	$ 6,600	$ 5,426
Strategic investment grant	15,126	13,567
Valuation allowance grant	3,874	4,147
Interest on loans receivable	11,675	—
Other interest income	754	—
Gain on disposal of Industrial Parks	2,127	—
Miscellaneous	246	—
	40,402	23,140
Expenditures:		
Operating expenses (Schedule 1)	6,595	4,971
Strategic investments	15,126	13,567
Provision for credit losses and payment of guarantees	5,965	4,147
Nova Scotia Business Fund expenses (Schedule 2)	2,475	455
	30,161	23,140
Excess of revenue over expenditures	10,241	—
Retained earnings, beginning of year	—	—
Retained earnings, end of year	$ 10,241	$ —

See accompanying notes to the financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Cash Flows
Year ended March 31, 2003, with comparative figures for 2002

	2003	(Unaudited) 2002
	(in thousands)	
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 10,241	$ —
Add (deduct) items not involving cash:		
Amortization	256	—
Capitalized interest on loans receivable	(2,613)	—
Gain on sale of Industrial Parks	(2,127)	—
Change in non-cash working capital:		
Increase in accrued interest receivable	(792)	—
Increase in due from Province of Nova Scotia	(1,149)	(7,505)
Increase in other receivables	(557)	(5)
Increase in accounts payable and accrued liabilities	3,295	7,610
	6,554	100
Investments:		
Loan advances	(14,707)	—
Principal received on loans	15,736	—
Redemption of shares	454	—
Issue of convertible debentures	(750)	—
Proceeds from disposal of Industrial Parks	2,174	—
Provision for credit losses and payment of guarantees	5,965	—
Transfer of investments from Nova Scotia Business Development Corporation Fund	—	(133,640)
Other	(69)	—
	8,803	(133,640)
Financing:		
New borrowings from the Province of Nova Scotia	9,365	133,640
Principal repayment to the Province of Nova Scotia	(15,579)	—
	(6,214)	133,640
Increase in cash	9,143	100
Cash, beginning of year	100	—
Cash, end of year (Note 15)	$ 9,243	$ 100

Cash position is defined as cash and short-term investments.

See accompanying notes to the financial statements.

Notes to the Financial Statements
Year ended March 31, 2003

Nova Scotia Business Incorporated is a coporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value - if a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial Parks and malls:

The Industrial Parks consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilitities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	**Rate**
Land improvements	5%
Industrial malls and other buildings	5%
Wharves	5%
Utilities	15%

The Department of Transportation and Public Works has operational responsibility for the Industrial Parks. Certain revenues and expenses associated with the operation of the Industrial Parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

(d) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears.

(e) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Fair values of financial instruments:

Financial assets and financial liabilities:

The carrying values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and due from Province of Nova Scotia approximates their fair values because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available it was not practical to determine the fair value of these assets.

Due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by this note and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia.

3. Loans receivable:

	2003	2002
(a) Principal due:	(in thousands)	
Performing loans	$ 142,015	$ 139,681
Imparied loans	26,850	24,752
	168,865	164,433
Allowance for credit losses (note 7)	48,907	41,380
	$ 119,958	$ 123,053

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of $938 (2002 - $1,108) and concessionary allowance of $262 (2002 - $350). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2004	$ 13,420
2005	12,108
2006	11,803
2007	22,437
2008	22,320

4. Equity investments:

	2003	2002
	(in thousands)	
Common shares	$ 3,123	$ 3,123
Preferred shares	6,718	9,570
Convertible debentures	1,250	500
	11,091	13,193
Allowance for credit losses (note 7)	3,993	4,198
	$ 7,098	$ 8,995

Included in the above preferred shares are shares with concessionary terms which have principal amounts outstanding of nil (2002 - $2,398) and concessionary allowances of nil (2002 - $1,496). The concessionary terms consisted of no set dividend rate.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

The convertible debentures matured before year-end. No action has been taken by the Corporation to demand repayment or to exercise the conversion options inherent in the debentures. The terms of one debenture were amended subsequent to year-end to extend the maturity date to 2005. For the remaing debentures management is negotiating with the companies to extend the maturity dates.

5. Industrial parks and malls:

	2003			2002
			(in thousands)	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	$ 269	$ ---	$ 269	$ 188
Land improvements	957	217	740	780
Industrial malls and other buildings	5,515	2,649	2,866	3,056
Wharves	487	246	241	283
Utilities	1,593	967	626	658
	$ 8,821	$ 4,079	$ 4,742	$ 4,965

6. Other assets:

	2003	2002
	(in thousands)	
Property acquired through foreclosure, at cost	$ 965	$ 976
Less allowance for losses (note 7)	846	840
	$ 119	$ 136

7. Allowance for credit losses and provision for payment of guarantees:

				2003 (in thousands)
	Gross balance outstanding	Specific allowance	General allowance	Total allowance
Loans receivable (note 3)	$ 168,865	$ 43,292	$ 5,615	$ 48,907
Equity investments (note 4)	11,091	3,704	289	3,993
Guarantees (note 12)	4,301	2,519	77	2,596
Other assets (note 6)	965	840	6	846
	$ 185,222	$ 50,355	$ 5,987	$ 56,342

				2002 (in thousands)
	Gross balance outstanding	Specific allowance	General allowance	Total allowance
Loans receivable (note 3)	$ 164,433	$ 35,525	$ 5,855	$ 41,380
Equity investments (note 4)	13,193	3,935	263	4,198
Guarantees (note 12)	6,079	3,340	169	3,509
Other assets (note 6)	976	840	—	840
	$ 184,681	$ 43,640	$ 6,287	$ 49,927

8. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2003	2002
				(in thousands)
	Year of maturity	Weighted average interest rate	Principal outstanding	Principal outstanding
Note payable 2002-01	2017	—	$ 90,098	$ 105,597
Note payable 2002-02	2021	6.45%	30,963	28,043
Note payable 2003-01	2008	4.85%	2,974	—
Note payable 2003-02	2008	4.53%	734	—
Note payable 2003-03	2012	5.02%	419	—
Note payable 2003-04	2014	5.35%	1,233	—
Note payable 2003-05	2011	5.44%	1,005	—
			127,426	133,640
Less principal due within one year			13,284	15,480
			$ 114,142	$ 118,160

(b) Principal payments due in each of the next five years are as follows:

2004	$ 13,284
2005	11,982
2006	11,666
2007	22,509
2008	22,410

9. Share capital:

The Corporation has authorized 100 Class A common shares with a par value of $1 each. 100 common shares have been issued to the Province of Nova Scotia.

10. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

	2003	2002 (in thousands)
Assets:		
Nova Scotia Business Incorporated portfolio	$ 8,391	$ 500
Less allowance for credit losses	938	25
	7,453	475
Financing authorized but unadvanced (note 11)	7,439	1,765
	14,892	2,240
Nova Scotia Business Development Corporation portfolio	177,272	183,067
Loan guarantees (note 12)	4,301	6,079
Less allowance for credit losses	55,404	49,902
	126,169	139,244
Financing authorized but unadvanced (note 11)	9,746	17,720
	135,915	156,964
	$ 150,807	$ 159,204
Funding authorized and committed:		
Fund balance authorized, net of write offs	$ 273,106	$ 273,106
Less uncommitted balance of fund	65,957	63,975
Committed fund balance	207,149	209,131
Less allowance for credit losses and payment of guarantees	56,342	49,927
	$ 150,807	$ 159,204

11. Commitments:

(a) The Corporation has approved financing of $17,185 (2002 - $19,485) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by Nova Scotia Business Inc. are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2003, transactions were approved with maximum annual payments over the next six years of $58.95 million. In addition, transactions totaling $18.3 million over the next six years received Executive Council approval after year-end. These transactions are included in the maximum annual payments shown below.

2004	$ 18,764
2005	18,624
2006	16,553
2007	12,529
2008	9,502
2009	1,274

12. Contingencies:

	2003	2002
	(in thousands)	
(a) Loan guarantees	$ 4,301	$ 6,079
Less provision for payment (note 7)	2,596	3,509
	$ 1,705	$ 2,570

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. Any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

13. Credit risk and interest risk:

(a) Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before a loan is approved, a risk assessment is performed on the client. Each loan is designated a risk rating based on the industry and business, quality of management, financial history and projections, other investors' level of financial involvement, ability of the client to access funds elsewhere, and any environmental risks. Applications with a high risk rating would warrant a higher interest rate or would not be approved if the level of risk is deemed unacceptable.

Clients are limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $40 million and $20 million, respectively.

In addition to its regular monitoring procedures, at year-end, management performed an in-depth analysis of a number of accounts representing approximately 90% of the gross portfolio outstanding in order to assess the Corporation's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the loan. Changes in risk are reflected in the carrying value of the loan via the provision for credit losses.

(b) Interest risk:

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical.

Outstanding investments totaling $90,098 (2002 - $105,597) were funded by an interest free long-term note payable to the Province of Nova Scotia.

14. Taxes:

The Corporation is not subject to provincial or federal taxes.

15. Supplementary cash information:

During the year, cash received for interest income was $9,088 (2002 - nil) and cash paid for interest was $1,931 (2002 - nil).

16. Related party transactions:

Financing has been advanced to companies which are controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated. These investments total $29,824 (2002 - $27,072) and certain of these investments have allowances recorded against them totaling $8,844 (2002 - $5,714).

These transactions were originally approved by the Board of the Nova Scotia Business Development Corporation and have been carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

17. Comparative figures:

The prior year balance sheet was audited by the Auditor General of Nova Scotia; however, subsequent to the audit, the financial statements were restated to reflect the addition of the amount due to the Province of Nova Scotia of $133,640. Also, the Industrial Parks balance was restated to become more compliant with Canadian generally accepted accounting principles, as in the past they were accounted for as investments. The restatement resulted in a write down of the Industrial Parks balance of $16,728 and was reflected as such in the consolidated statements of the Province of Nova Scotia as at March 31, 2002.

The comparative statement of revenue, expenditures and retained earnings and the statement of cash flows were not reported on by the Auditor General and are presented as unaudited.

Legislation enacting Nova Scotia Business Incorporated came into effect November 6, 2001. Operating expenses, Strategic Investments, and the related Provincial Grants for the twelve months ended March 31, 2002 were recorded in the accounts of Nova Scotia Business Incorporated. The provison for credit losses reflects activity during the period November 6, 2001 to March 31, 2002. Income from Nova Scotia Business Fund activity for the year ended March 31, 2002 was reported in the accounts of the Department of Finance of the Province of Nova Scotia.

The 2002 figures have been reclassified where necessary to conform to 2003 presentation.

Schedule 1

NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Operating Expenses
Year ended March 31, 2003, with comparative figures for 2002

	2003	(Unaudited) 2002
	(in thousands)	
Legal and audit	$ 185	$ 244
Marketing and communications	905	680
Office expenses	224	169
Other	100	134
Salaries and benefits	4,309	3,164
Telecommunications and technical support	368	292
Travel	504	288
	$ 6,595	$ 4,971

Schedule 2

Schedule of Nova Scotia Business Fund Expenses
Year ended March 31, 2003, with comparative figures for 2002

	2003	(Unaudited) 2002
	(in thousands)	
Amortization	$ 256	$ 189
Commissions	46	—
Interest	1,931	—
Repairs and maintenance	242	266
	$ 2,475	$ 455

NOVA SCOTIA COMMUNITY COLLEGE

These financial statements are in draft form only

Draft

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position
as at March 31, 2003

ASSETS

	2003	2002
Current assets		
Cash	$ 23,020,911	$ 8,659,867
Accounts receivable (Note 3)	6,063,812	6,703,325
Inventory	716,430	663,027
Prepaids	275,082	763,571
	30,076,235	16,789,790
Capital assets (Note 4)	6,173,046	6,721,880
Foundation assets (Note 5)	837,202	745,773
Pensionable advance (Note 13)	743,206	793,935
	$ 37,829,689	$ 25,051,378

LIABILITIES

	2003	2002
Current liabilities		
Accounts payable and accrued liabilities	$ 18,026,304	$ 11,648,333
Deferred revenue (Note 6)	6,512,390	2,359,139
	24,538,694	14,007,472
Deferred revenue related to capital assets (Note 7)	2,197,986	1,643,876
Employee future benefit obligation (Note 16)	1,693,982	471,919
	28,430,662	16,123,267

NET ASSETS

	2003	2002
Invested in capital assets (Note 8)	3,975,060	5,078,004
Restricted for Foundation assets (Note 5)	837,202	745,773
Restricted for college development (Note 12)	4,586,765	3,104,334
	9,399,027	8,928,111
	$ 37,829,689	$ 25,051,378

Draft

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures
Year Ended March 31, 2003

	2003	2002
Revenue		
Province of Nova Scotia (Note 9)	$ 66,982,000	$ 60,779,000
Government of Canada	7,440,100	8,439,955
Tuition and fees	14,167,798	13,643,657
Customized training	11,477,134	10,635,033
Amortization of deferred revenue related to capital assets	1,021,445	945,640
Other (Note 10)	12,816,208	12,398,664
	113,904,685	106,841,949
Expenditures		
Salaries and benefits	74,752,600	70,402,312
Operating supplies and services	20,381,259	19,824,816
Equipment, rentals, other administration	8,088,554	6,572,385
Utilities and maintenance	7,441,148	7,083,169
Amortization	2,861,637	2,869,837
	113,525,198	106,752,519
Excess of revenue over expenditures	$ 379,487	$ 89,430

Draft

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenditures	$ 379,487	$ 89,430
Items not affecting cash		
Amortization of deferred revenue related to capital assets	(1,021,445)	(945,640)
Amortization	2,861,637	2,869,837
(Gain) loss on disposal of capital assets	(13,245)	6,980
Employee future benefit obligation	1,222,063	471,919
	3,428,497	2,492,526
Changes in non-cash working capital items (Note 11)	11,605,821	3,985,849
	15,034,318	6,478,375
Investing		
Purchase of capital assets	(2,319,170)	(2,099,850)
Proceeds on sale of capital assets	19,612	---
	(2,299,558)	(2,099,850)
Financing		
Pensionable Advance	50,729	(602,365)
Deferred revenue related to capital assets	1,575,555	1,000,000
	1,626,284	397,635
Net cash inflow (outflow)	14,361,044	4,776,160
Cash position, beginning of year	8,659,867	3,883,707
Cash position, end of year	$ 23,020,911	$ 8,659,867

NOVA SCOTIA COMMUNITY COLLEGE

Draft

Statement of Changes in Net Assets
Year Ended March 31, 2003

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2003 Total	2002 Total
Balance, beginning of year	$ 5,078,004	$ ---	$ 745,773	$ 3,104,334	$ 8,928,111	$ 8,790,970
Excess (deficiency) of revenue over expenditures	(1,840,192)	2,219,678	---	---	379,486	89,430
Investment in capital assets	737,248	(2,219,678)	---	1,482,431	1	---
Endowment contributions and interest	---	---	1,237,707	---	1,237,707	277,512
Endowment disbursements	---	---	(1,146,278)	---	(1,146,278)	(229,801)
Balance, end of year	$ 3,975,060	$ ---	$ 837,202	$ 4,586,765	$ 9,399,027	$ 8,928,111

Draft

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements
Year Ended March 31, 2003

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College ("the College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province, is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

b) Revenue Recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

c) Cash

Cash consist of cash on hand and amounts held by financial institutions. upon which interest is paid at commercial rates.

d) Capital Assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years
Management Information System	5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to these buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

e) Contributed Services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

f) Inventory

Inventory consist of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	2003	2002
Organizations	$ 3,296,808	$ 3,482,361
Student fees	2,332,484	2,527,493
Government funding	301,670	1,000,450
Harmonized Sales Tax	919,272	540,971
Allowance for doubtful accounts	(786,422)	(847,950)
	$ 6,063,812	$ 6,703,325

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Computer equipment	$ 6,005,930	$ 5,725,344	$ 280,586	$ 255,750
Furniture and equipment	7,765,822	5,079,516	2,686,306	1,970,886
Leasehold improvements	233,662	194,977	38,685	88,217
Management Information System	6,197,789	3,030,320	3,167,469	4,407,027
	$ 20,203,203	$ 14,030,157	$ 6,173,046	$ 6,721,880

5. FOUNDATION ASSETS

The balance, which is externally restricted for foundation purposes, represents donations and related interest restricted for scholarships, awards and other specified purposes.

6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

	2003	2002
Apprenticeship	$ 907,537	$ 642,343
Offshore Operation	1,694,795	---
JD Irving	250,000	---
Applied Research	462,210	---
Customized training	2,253,797	1,190,830
Other	944,051	525,966
	$ 6,512,390	$ 2,359,139

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia for capital asset additions. The changes in the deferred balance are as follows:

	2003	2002
Beginning balance	$ 1,643,876	$ 1,589,516
Contributions received	1,575,555	1,000,000
Amortization of deferred revenue related to capital assets	(1,021,445)	(945,640)
Ending balance	$ 2,197,986	$ 1,643,876

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	2003	2002
Capital assets, net of amortization	$ 6,173,046	$ 6,721,880
Deferred revenue related to capital assets	(2,197,986)	(1,643,876)
	$ 3,975,060	$ 5,078,004

9. REVENUE-PROVINCE OF NOVA SCOTIA

	2003	2002
Funding received	$ 67,982,000	$ 61,779,000
Portion related to capital assets	(1,000,000)	(1,000,000)
	$ 66,982,000	$ 60,779,000

10. OTHER REVENUE

Other revenue is summarized as follows:

	2003	2002
Bookstore revenue	$ 3,372,344	$ 3,482,247
Food sales	1,493,968	1,493,909
Apprenticeship/Shop	2,468,984	1,944,361
Interest	455,597	307,097
Recoveries	1,922,680	2,156,564
Applied research	348,100	68,146
Lodging, rent and miscellaneous	2,754,535	2,946,340
	$ 12,816,208	$ 12,398,664

11. CHANGES IN NON-CASH WORKING CAPITAL

	2003	2002
Decrease in accounts receivable	$ 639,513	$ 4,154,174
Increase in inventory	(53,403)	(156,741)
Decrease (increase) in prepaids	488,489	(187,520)
Increase (decrease) in accounts payable	6,377,971	(505,663)
Increase in deferred revenue	4,153,251	681,599
	$ 11,605,821	$ 3,985,849

12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for college development projects.

13. PENSIONABLE ADVANCE

When the College took over the Payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears." This receivable was formerly held by the Province.

14. COMMITTMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years:

2004	2005	2006	2007	2008
$ 759,572	$ 320,542	$ 250,024	$ 57,679	$ 26,952

15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 5.4% on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 7% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $2,966,818 from April 1, 2002 to March 31, 2003.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $5,438,120 from April 1, 2002 to March 31, 2003.

16. EMPLOYEE FUTURE BENEFIT OBLIGATION

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan.

An actuarial evaluation was completed as of March 31, 2003 and the College's obligation relating to these benefits was $1,694,000 (2002 - $472,000).

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	5% per annum
Expected rate of return	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

17. FINANCIAL INSTRUMENTS

Fair Value
The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

Credit Risk
The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk at March 31, 2003.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current years presentation.

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Crop
& Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2003, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 20, 2003

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 83,458	$ 103,952
Short-term investments (note 3)	6,138,088	5,583,399
Receivables, trade	58,818	51,734
Accrued interest receivable	66,085	51,293
	6,346,449	5,790,378
Capital assets (note 4)	35,462	33,921
	$ 6,381,911	$ 5,824,299

LIABILITIES

	2003	2002
Current		
Unearned premiums	$ 39,889	$ 31,415
Deposits for insurance	1,575	16,734
Provision for payment of unsettled indemnities (note 5)	6,403	30,000
	47,867	78,149
Deferred contributions related to capital assets (note 6)	35,462	33,922
	83,329	112,071

FUND BALANCES

	2003	2002
Fund balances		
Crop insurance	5,333,339	4,764,779
Livestock insurance	965,243	947,449
	6,298,582	5,712,228
	$ 6,381,911	$ 5,824,299

Commitments (note 10)

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Surplus and Fund Balances
year ended March 31, 2003

	Crop Insurance	Livestock Insurance	Other	Totals 2003	Totals 2002
Revenues					
Insurance premiums (Schedule A)	$ 815,882	$ 21,217	$ —	$ 837,099	$ 694,277
Interest income	148,683	28,321	—	177,004	245,908
Amortization of deferred contributions	—	—	9,976	9,976	11,783
	964,565	49,538	9,976	1,024,079	951,968
Indemnity claims (Schedule A)	352,384	31,744	—	384,128	924,058
Bad debt expense	43,619	—	—	43,619	—
Administrative expenses (note 7) (Schedule B)	665,709	6,793	6,793	679,295	611,086
Amortization of capital assets	—	—	9,976	9,976	11,783
	1,061,712	38,537	16,769	1,117,018	1,546,927
Income (loss) before Government contributions	(97,147)	11,001	(6,793)	(92,939)	(594,959)
Government contributions (note 8)	665,707	6,793	6,793	679,293	611,084
Net surplus	568,560	17,794	—	586,354	16,125
Fund Balance					
Beginning of year	4,764,779	947,449	—	5,712,228	5,696,103
End of year	$ 5,333,339	$ 965,243	$ —	$ 6,298,582	$ 5,712,228

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Operating Activities		
Net surplus	$ 586,354	$ 16,125
Net change in non-cash working capital balances related to operations (note 9)	(52,159)	(24,572)
	534,195	(8,447)
Investing Activities		
Purchase of short-term investments	(554,689)	(13,877)
Decrease in cash during year	(20,494)	(22,324)
Cash, beginning of year	103,952	126,276
Cash, end of year	$ 83,458	$ 103,952

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Notes to Financial Statements
March 31, 2003

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy.

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2003 these funds had a market value of $6,131,033 (2002 - $5,582,330) and were invested in various corporate and provincial bonds maturing in 2003 and 2005 with yields from 1.5% to 4.0%.

4. Capital Assets

	2003	2002
Equipment and furniture	$ 103,942	$ 92,426
Accumulated amortization	(68,480)	(58,505)
	$ 35,462	$ 33,921

5. Provision for payment of unsettled indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	2003	2002
Balance, beginning of year	$ 33,922	$ 45,705
Add: Capital assets acquired	11,516	—
Less: Amounts amortized to revenue	(9,976)	(11,783)
Balance, end of year	$ 35,462	$ 33,922

7. Related party transactions

Administrative expenses include $30,000 (2002 - $30,000) for rent and $44,240 (2002 - $44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

8. Government contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2003 fiscal year, the Federal government contributed 49% (2002 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

9. Net change in non-cash working capital balances related to operations

	2003	2002
Increase (decrease) in cash from changes in:		
Receivables	$ (7,084)	$ 3,710
Accrued interest receivable	(14,792)	144,415
Increase in deposits for insurance	(15,159)	16,172
Unsettled indemnities	(23,598)	(189,375)
Unearned premiums	8,474	506
	$ (52,159)	$ (24,572)

10. Insurance coverage

The total insurance coverage as of March 31, 2003 was $52,632,562 (2002 - $40,588,927), comprising crop insurance of $15,899,230 (2002 - $14,747,927) and livestock insurance of $36,733,332 (2002 - $25,841,000).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately $709,000. Management holds the opinion that the payment of these premiums was the responsibility of the Province. Discussions are ongoing to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

There is no Re-Insurance Fund for livestock.

Subsequent to year-end, the Commission took out their own re-insurance fund on both livestock and crops. They secured coverage of $3 million, for a premium of $195,000. They made the first instalment payment of the premium on April 30, 2003, in the amount of $97,500 and will pay the balance in October.

11. Public service superannuation fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was $23,525.

12. Economic dependance

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

Schedule A

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Premium Revenue and Indemnity Claims
for the year ended March 31, 2003

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	2003	2002	2003	2002
Crop Insurance							
Spring grain	$ 21,990	$ 10,995	$ 10,995	$ 43,980	$ 45,988	$ 8,919	$ 60,070
Winter grain	14,568	7,284	7,284	29,136	26,408	8,464	14,622
Tree fruit	97,381	48,690	48,690	194,761	214,605	13,135	99,201
Corn	20,980	10,490	10,490	41,960	41,291	12,065	10,410
Peas & beans	41,878	20,939	20,939	83,756	71,828	42,656	77,086
Blueberries	98,455	49,227	49,227	196,909	116,446	175,644	257,995
Strawberries and raspberries	9,863	4,931	4,931	19,725	10,772	10,605	9,615
Forage	4,057	1,946	2,001	8,004	9,670	8,554	6,391
Soybeans	3,686	1,842	1,842	7,370	9,913	6,821	6,785
Potatoes	34,429	17,214	17,214	68,857	50,309	(7,941)	160,873
Vegetables	60,712	30,356	30,356	121,424	69,310	73,462	216,620
	407,999	203,914	203,969	815,882	666,540	352,384	919,668
Livestock Insurance							
Dairy	21,217	---	---	21,217	27,737	31,744	4,390
Total	$ 429,216	$ 203,914	$ 203,969	$ 837,099	$ 694,277	$ 384,128	$ 924,058

Schedule B

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses
for the year ended March 31, 2003

	Insurance			Totals	
	Crop	Livestock	Other	2003	2002
Personnel	$ 471,850	$ 4,815	$ 4,815	$ 481,480	$ 443,835
Transportation and communication	52,419	535	535	53,489	50,038
Information	5,941	61	61	6,063	10,136
Professional and special services	30,410	310	310	31,030	7,871
Office accommodation and equipment rental	30,268	309	309	30,886	35,198
Repair and maintenance of equipment	1,085	11	11	1,107	521
Utilities, materials and supplies	30,381	310	310	31,001	19,247
Other expenditures	43,355	442	442	44,239	44,240
	$ 665,709	$ 6,793	$ 6,793	$ 679,295	$ 611,086

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the statement of financial position of the Nova Scotia Farm Loan Board as at March 31, 2003 and the statements of revenues and expenses, and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 6, 2003

NOVA SCOTIA FARM LOAN BOARD

Statement of Financial Position
March 31, 2003

ASSETS

	2003	2002
	(in thousands)	
Accounts receivable	$ 5,473	$ 5,509
Due from Department of Finance	1,792	1,687
Loans receivable (Note 3)	158,969	160,137
Real estate (Note 4)	4,445	5,138
	$ 170,679	$ 172,471

LIABILITIES AND RETAINED EARNINGS

	2003	2002
Insurance reserve (Note 5)	$ 2,350	$ 2,350
Advances from Department of Finance (Note 2)	167,265	169,231
Retained earnings (Note 6)	1,064	890
	$ 170,679	$ 172,471

Commitments (Note 7)

Statement of Revenues and Expenses
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Revenues		
Interest revenue	$ 12,203	$ 13,213
Fee revenue	630	467
Insurance revenue	159	169
	12,992	13,849
Expenses		
Interest expense (Note 2)	10,420	10,677
Operating expenses (Note 8)	1,105	992
Bad debt expense	595	972
	12,120	12,641
Income before Government contributions	872	1,208
Government contributions (Note 8)	1,105	992
Net Income	$ 1,977	$ 2,200

Statement of Retained Earnings
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Retained earnings, beginning of year	$ 890	$ 648
Income before Government contributions	872	1,208
Distribution to Department of Finance (Note 6)	(698)	(966)
Retained earnings, end of year	$ 1,064	$ 890

See accompanying notes to financial statements

NOVA SCOTIA FARM LOAN BOARD

Notes to Financial Statements
March 31, 2003

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are significant accounting policies of the Board.

a) **Interest Expense**
Loans provided by the Board are funded through quarterly advances from the Department of Finance. Advances are based on the Board's estimated requirement for the forthcoming quarter. Interest expense is calculated in accordance with the terms of a Memorandum of Understanding between the Board and the Department of Finance, based on the Department's cost of borrowing the Funds advanced.

b) **Allowance for Doubtful Accounts**
The Board provides for possible losses on loans receivable and real estate on an item by item basis. In addition, a general reserve is provided on loans receivable.

c) **Measurement Uncertainty**
Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

3. Loans Receivable

	2003	2002
	(in thousands)	
Farm loans	$ 161,565	$ 163,177
Timber loans	1,801	1,798
	163,366	164,975
Less: Allowance for doubtful accounts	4,397	4,838
	$ 158,969	$ 160,137

4. Real Estate - at lower of cost and net realizable value

	2003	2002
	(in thousands)	
Real estate being leased or held	$ 5,620	$ 5,283
Land bank	1,719	2,033
Land consolidation		
Agricultural Rural Development Agreement (ARDA)	83	84
Less: Federal Government share of cost of ARDA Properties	(43)	(43)
Held for Department of Agriculture and Fisheries	562	450
	7,941	7,807
Less: Allowance for doubtful recoveries	3,496	2,669
	$ 4,445	$ 5,138

5. Insurance Reserve

		2003	2002
		(in thousands)	
Balance, beginning of year		$ 2,350	$ 2,350
Add:	Premiums collected	356	373
	Interest earned	19	79
		375	452
Deduct:	Insurance costs before administration fees	127	203
	Administration fees	89	80
	Transfer to revenue	159	169
		375	452
Balance, end of year		$ 2,350	$ 2,350

The Board requires borrowers to participate in a group life insurance program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy, pay for professional services related to the program, and contribute funds towards the acquisition of a computer system for Board operations.

In the year ended March 31, 2001, the Board commenced the practice of estimating the total amount of insurance reserve needed to fulfil the purpose of the reserve. Any funds in excess of this amount are transferred to the general revenues of the Board. For the year ended March 31, 2003 a balance of $2,350,000 was established for the reserve and $159,000 (2002 - $169,000) was transferred to revenue.

Of the total reserve, $728,000 (2002 - $797,000) is held by the Department of Finance, and is included on the statement of financial position in the amount due from the Department of Finance. The remaining $1,622,000 (2002 - $1,553,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

6. Retained Earnings

A Memorandum of Understanding dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Department of Finance enables the Board to retain 20% of income before government contributions for future use. The agreement took affect as of April 1, 1998. Previously, all net income of the Board was transferred to the Department of Finance. Net income retained is included on the statement of financial position in the amount due from the Department of Finance, and cannot be expended without the consent of the Department.

7. Commitments

As at March 31, 2003, the Board had authorized loans of $6,447,000 (2002 - $1,664,000) which had not been disbursed.

8. Operating Expenses

The operating expenses of the Board are paid by the Department of Agriculture and Fisheries on behalf of the Board.

	2003	2002 (in thousands)
Salaries and benefits	$ 944	$ 835
Supplies and services	44	66
Travel	49	40
Training and development	10	9
Professional services	16	19
Other	42	23
	$ 1,105	$ 992

9. Public Service Superannuation Fund

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITOR'S REPORT

**TO THE MEMBERS OF THE BOARD OF THE
NOVA SCOTIA FILM DEVELOPMENT CORPORATION:**

We have audited the statement of financial position of the Nova Scotia Film Development Corporation as at March 31, 2003 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and the cash flows for the year then ended in accordance with the accounting policies as outlined in Note 2 to the financial statements.

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
May 28, 2003

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Financial Position
March 31, 2003

ASSETS

	2003	2002
Current		
Cash and short term investments	$ 1,339,928	$ 1,807,209
Other receivables	185,811	98,682
Prepaid expenses	35,120	14,098
	$ 1,560,859	$ 1,919,989

LIABILITIES

	2003	2002
Current		
Payables and accruals, trade	$ 69,504	$ 16,901
Deferred revenue	69,839	18,472
	139,343	35,373

FUND BALANCES

	2003	2002
Unrestricted	---	84,731
Committed	1,421,516	1,799,885
	1,421,516	1,884,616
	$ 1,560,859	$ 1,919,989

Contingent commitment - $1,421,516 (2002 - $1,799,885)

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Operations and Changes in Fund Balances
year ended March 31, 2003

	General Fund	MTT New Media Fund	Total 2003	Total 2002
Revenue				
Contributions from the Department of Economic Development (note 4) . . . . . $	2,388,700 $	---	$ 2,388,700	$ 2,529,125
Recovery of equity investments and development loans (notes 6 & 7)	144,718	2,775	147,493	126,075
First Works.	70,889	---	70,889	85,403
Interest and other income	78,646	6,283	84,929	135,502
	2,682,953	9,058	2,692,011	2,876,105
Expenditures				
Equity investments (note 6)	1,832,522	---	1,832,522	1,586,399
Project development loans (note 7)	291,862	---	291,862	173,364
Special projects.	229,036	---	229,036	260,370
Training assistance	37,923	---	37,923	279,167
First Works	99,646	---	99,646	47,158
New Media	---	133,897	133,897	28,763
Advertising and marketing (page 258) . . .	154,330	---	154,330	116,667
Administrative expenses (page 258)	375,895	---	375,895	371,898
	3,021,214	133,897	3,155,111	2,863,786
Excess (deficit) of revenues over expendtures	(338,261)	(124,839)	(463,100)	12,319
Fund balances, beginning of year	1,495,080	389,536	1,884,616	1,872,297
Interfund transfers (note 5)	264,697	(264,697)	---	---
Fund balances, end of year. . . . . $	1,421,516 $	---	$ 1,421,516	$ 1,884,616

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31,2003

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

a) A statement of cash flows is not provided since disclosure in the statement of operations and changes in fund balances is considered adequate.

b) The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles except for the following items:

   i) Program loans and equity participation are charged to current expenditures as disbursed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

   ii) Capital asset acquisitions are recorded as current expenditures.

   iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 2003, the Corporation is contractually committed to advance funds totalling $1,421,516 (2002 - $1,799,885) as investments and loans in respect of current and future projects.

4. Cost Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments, the estimated amounts are as follows:

	2003	2002
Legal services	$ 60,000	$ 76,284
Rent	25,000	30,000
	$ 85,000	$ 106,284

The cost of these services is not reflected in these financial statements.

5. MTT New Media Fund

The Corporation and Maritime Tel & Tel (MTT) entered into an agreement on August 18, 1997 for the purpose of assisting the Corporation's mandate to develop Nova Scotia film, video and multi-media productions. MTT agreed to contribute $400,000 over three years (1998 - $75,000; 1999 - $150,000; 2000 - $175,000) which was matched by the Corporation. During the year, the balance of the MTT New Media Fund was transferred to the General Fund as the agreement between the Corporation and Maritime Tel & Tel has expired.

6. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $83,513 (2002 - $108,335). The total of equity investments of the Corporation to March 31, 2003 is $20,695,788. As at March 31, 2003, $1,081,086 has been recouped.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2003 were $1,850,714 (2002 - $1,599,509). Development loans of $63,979 (2002 - $17,741) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Coporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Coporation contributed $13,951 to the fund.

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependant on the Department of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

10. Comparative Figures

Certian of the comparative figures are restated to conform with current year's presentation.

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Schedule of Advertising and Marketing Expenses
and Schedule of Administrative Expenses
year ended March 31, 2003

	2003	2002
Advertising and Marketing Expenses:		
Advertising	$ 38,388	$ 19,361
Annual report	3,467	8,012
Business travel and expenses	42,770	23,731
Familiarization tour and marketing materials	13,291	13,657
Location scout	7,200	8,861
Photos/location services	11,870	11,506
Production guide, net of receipts of $58,883 (2002 - $53,084)	(483)	(461)
Salaries and benefits	37,827	32,000
	$ 154,330	$ 116,667

	2003	2002
Administrative Expenses:		
Bank charges	$ 2,363	$ 2,132
Board honorarium and expenses	20,739	11,166
Capital equipment	10,728	5,346
Conference/marketing	2,250	6,025
Consultants	4,043	600
Courier services	1,807	3,160
Dues, fees and subscriptions	5,533	5,191
Insurance	1,962	1,102
Office supplies	16,757	21,422
Photocopier/fax rental	4,251	4,223
Postage	5,657	3,737
Professional fees	6,560	5,500
Repairs and maintenance	---	1,590
Salaries and benefits	281,305	288,969
Staff training	4,839	4,268
Telephone and fax	7,101	7,467
	$ 375,895	$ 371,898

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the
Nova Scotia Fisheries and Aquaculture Loan Board

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2003 and the statements of revenues, expenditures and accumulated surplus, and continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 9, 2003

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Loans receivable	$ 67,309,985	$ 59,663,265
Accrued interest receivable	1,601,093	1,743,262
Due from Consolidated Fund - Department of Finance (Note 3)	69,616,073	78,134,062
	$ 138,527,151	$ 139,540,589

LIABILITIES AND FUND BALANCE

	2003	2002
Liabilities		
Applicants' funds on deposit	$ 405,788	$ 322,909
Due to Department of Finance	1,601,093	1,743,262
Fisheries and Aquaculture Development Fund	136,520,270	137,474,418
	$ 138,527,151	$ 139,540,589

Commitments (Note 4)

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Statement of Revenues, Expenditures and Accumulated Surplus
for the year ended March 31, 2003

	2003	2002
Revenues		
Interest income	$ 4,945,114	$ 4,576,365
Loan fees	188,361	151,273
	5,133,475	4,727,638
Expenditures		
Interest expense (Note 5)	3,611,010	3,208,461
Salaries and benefits	555,006	461,067
Board honoraria	5,050	6,400
Travel	60,020	50,145
Office expense	45,167	21,737
Bad debts	954,148	49,999
	5,230,401	3,797,809
(Deficit) surplus before Government contribution	(96,926)	929,829
Contribution by Department of Agriculture and Fisheries (Note 6)	1,619,391	589,348
Surplus	1,522,465	1,519,177
Distribution to Department of Finance (Note 6)	1,522,465	1,519,177
Accumulated Surplus	$ ---	$ ---

Statement of Continuity of Fund
for the year ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 137,474,418	$ 137,524,417
Deduct: Bad debts expenditure	954,148	49,999
Balance, end of year	$ 136,520,270	$ 137,474,418
Comprising:		
Loans receivable	$ 67,309,985	$ 59,663,265
Loans authorized but unadvanced (Note 4)	4,617,923	2,442,151
Aquaculture loan guarantees (Note 3)	2,800,000	2,980,000
Uncommitted Fund balance	61,792,362	72,389,002
	$ 136,520,270	$ 137,474,418

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Notes to Financial Statements
March 31, 2003

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia Fisheries and Aquaculture Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which for purposes of the Board's financial statements are represented by accounting recommendations of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees.

Expenditures
Expenditures are recorded on the accrual basis. Net expenditures include recoveries which are directly related to the expenditures and are not normally considered to be revenues. Provisions are made for probable losses on certain loans and loan guarantees. These provisions are updated as estimates are revised, at least annually.

Assets
Loans receivable are recorded at the principal amount less valuation allowances. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Measurement Uncertainty
Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

3. Due from Consolidated Fund - Department of Finance

	2003	2002
Loans authorized but unadvanced	$ 4,617,923	$ 2,442,151
Aquaculture loan guarantees	2,800,000	2,980,000
Applicants' funds on deposit	405,788	322,909
Uncommitted Fund balance	61,792,362	72,389,002
	$ 69,616,073	$ 78,134,062

Guarantees - On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Acquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the former Nova Scotia Economic Renewal Agency to the Board, along with $1,000,000 of existing loan guarantees. The strategy provided approval for capital advances and guarantees of $2.0 million per year, until March 31, 2001.

4. Commitments

Commitments total $4,617,923 (2002-$2,442,151). Commitments are loans which have been approved by the Board but cash advances for the loans have not been made by year end.

5. Interest Expense

Loans provided by the Board are funded through advances by the Department of Finance. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter.

6. Contributions and Surplus

Expenses of the Board other than interest expense are paid by the Department of Agriculture and Fisheries on behalf of the Board. The operating surplus or deficit of the Board is retained in the Consolidated Fund of the Province.

7. Public Service Superannuation Fund

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITORS' REPORT

To the Minister of Justice and
Nova Scotia Freedom of Information and Protection of Privacy Review Officer

We have audited the balance sheet of the Nova Scotia Freedom of Information and Protection of Privacy Review Office as at March 31, 2003 and the statements of operations and surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2003, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 21, 2003

NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY REVIEW OFFICE

Statements of Operations and Surplus
Year Ended March 31

	2003	2002
Revenue		
Grant from the Province of Nova Scotia (Note 7)	$ 199,356	$ 210,393
Interest and other revenue	1,533	2,690
	200,889	213,083
Expenses		
Salaries, wages and benefits	150,420	153,522
Rent (Note 5)	11,902	13,790
Shared support costs (Note 7)	11,000	12,000
Office supplies and services	7,045	5,323
Travel	6,902	4,767
Legal, audit and consulting	5,126	6,567
Telephone	2,728	2,580
Dues and fees	1,976	1,155
Equipment	1,855	2,485
Depreciation	1,442	2,436
Printing and copying	1,034	140
Repairs and maintenance	854	7,199
Hospitality	47	35
	202,331	211,999
Operating (deficit) surplus	$ (1,442)	$ 1,084
Surplus, beginning of year	$ ---	$ ---
Operating (deficit) surplus	(1,442)	1,084
Transfer from (to) investment in capital assets for		
Depreciation	1,442	2,436
Capital asset acquisitions	---	(3,520)
	1,442	(1,084)
Surplus, end of year	$ ---	$ ---

Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Current		
Cash	$ 6,701	$ 26,521
Due from related party (Note 7)	1,936	2,360
	8,637	28,881
Capital assets	2,788	4,230
	$ 11,425	$ 33,111
LIABILITIES		
Current		
Payables and accruals	$ 2,707	$ 3,551
Due to related party (Note 7)	5,930	25,330
	8,637	28,881
SURPLUS		
Investment in capital assets (Note 3)	2,788	4,230
	$ 11,425	$ 33,111

Commitment (Note 5)
See accompanying notes to the financial statements.

NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY REVIEW OFFICE

Statement of Capital Assets
Year Ended March 31, 2003

	Cost			Accumulated Depreciation			2003	2002
	Opening	Additions	Closing	Opening	Expense	Closing	Net Book Value	Net Book Value
Computer equipment	$ 11,530	$ —	$ 11,530	$ 9,183	$ 1,173	$ 10,356	$ 1,174	$ 2,347
Furniture	2,690	—	2,690	807	269	1,076	1,614	1,883
	$ 14,220	$ —	$ 14,220	$ 9,990	$ 1,442	$ 11,432	$ 2,788	$ 4,230

Statements of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase in cash and cash equivalents		
Operating		
Operating (deficit) surplus	$ (1,442)	$ 1,084
Depreciation	1,442	2,436
	---	3,520
Change in non-cash operating working capital (Note 6)	(19,820)	(28,167)
	(19,820)	(24,647)
Investing		
Purchase of capital assets	---	(3,520)
Decrease in cash and cash equivalents	(19,820)	(28,167)
Cash and cash equivalents		
Beginning of year	26,521	54,688
End of year	$ 6,701	$ 26,521

See accompanying notes to the financial statements.

NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY REVIEW OFFICE

Notes to the Financial Statements
March 31, 2003

1. Incorporation

The Nova Scotia Freedom of Information and Protection of Privacy Review Office (the Review Office) was created pursuant to the Freedom of Information and Protection of Privacy Act, Chapter 5 of the Acts of Nova Scotia, 1993.

2. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Capital assets
Capital assets purchased by the Review Office with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Furniture	10 years

Use of estimates
In preparing the Review Office's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments
The Review Office's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks.

3. Investment in capital assets

	2003	2002
Balance, beginning of year	$ 4,230	$ 3,146
Capital asset acquisitions	---	3,520
Depreciation	(1,442)	(2,436)
Balance, end of year	$ 2,788	$ 4,230

4. Pensions

Full time employees of the Review Office are civil servants and as such are entitled to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Review Office's operating expenses. The Review Office is not responsible for any unfunded liability.

5. Commitment

The Review Office has entered into an agreement to lease its premises until December 31, 2006. The annual rent of premises consists of a minimum rent plus the Review Office's portion of common cost such as maintenance, power, water and property taxes. Minimum rent payable for premises for each of the next three fiscal years is as follows:

2004	$ 5,555
2005	4,166
2006	4,166

6. Supplement cash flow information

	2003	2002
Change in non-cash operating working capital		
Due from related party	$ 424	$ 8,262
Payables and accruals and due to related party	(20,244)	(36,429)
	$ (19,820)	$ (28,167)

7. Related party transactions

The Freedom of Information and Protection of Privacy Review Office is an independent agency of the Province of Nova Scotia. Funding for the Review Office is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the Review Office is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

	2003	2002
Grant from the Province of Nova Scotia	$ 199,356	$ 210,393
Accounts receivable	1,936	2,360
Payables and accruals	5,930	8,171
Surplus - investments in capital assets	2,788	4,230

To minimize cost to government while preserving the independence of the Review Office some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Review Office and charges a portion of its administrative overhead for the service. Effective April 1, 2003, administrative support services will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia. In future, financial results of the Review Office will be included in the Public Accounts of the Department of Justice of the Province of Nova Scotia.

Transactions with the NSUARB by financial statement category are as follows:

	2003	2002
Shared support costs	$ 12,000	$ 12,000
Payables and accruals	456	17,159

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 2003 the statement of income and payment to the Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 29, 2003

NOVA SCOTIA GAMING CORPORATION

Balance Sheet
As At March 31, 2003

ASSETS

	2003	2002
	(in thousands)	
Current		
Cash & short term investments (Note 3)	$ 19,042	$ 15,836
Cash - Restricted (Note 2)	6,704	9,605
Inventory, at cost	3,087	2,448
Prepaids	404	253
	29,237	28,142
Long-term		
Cash - Casino Replacement Reserve (Notes 3 and 9)	5,746	5,721
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation (Note 6)	1	1
Capital Assets (Note 7)	138,092	126,772
	143,840	132,495
	$ 173,077	$ 160,637

LIABILITIES

	2003	2002
Current		
Accounts Payable	$ 2,226	$ 781
Deferred Lottery Revenue	928	745
Liabilities for Unclaimed Prizes (Note 2)	6,704	9,605
Capital Obligation - Current Portion (Note 8)	32,849	31,491
Due to Operators (Note 12)	14,105	8,970
Due to Atlantic Gaming Equipment Limited- Current Portion	13,539	7,398
Due to Nova Scotia Gaming Foundation	74	76
Due to Province of Nova Scotia	18,570	13,953
	88,995	73,019
Long-term		
Due to Atlantic Gaming Equipment Limited	32,340	21,448
Capital Obligation (Note 8)	43,561	58,648
	75,901	80,096
	164,896	153,115

EQUIITY

	2003	2002
Casino Capital Replacement Reserve (Note 9)	8,181	7,522
	$ 173,077	$ 160,637

Contingencies and Commitments (Notes 3, 5,11, and 13)

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Statement of Income and Payment to the Province
For the Year Ended March 31, 2003

(in thousands)

	2003							2002						
	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)		Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	
	Ticket Lottery	Video Lottery	Halifax	Sydney			Total	Ticket Lottery	Video Lottery	Halifax	Sydney			Total (Note 14)
Revenues	$ 212,259	$ 182,104	$ 71,633	$ 28,253	$ ---	$ 653	$ 494,902	$ 204,421	$ 161,686	$ 71,452	$ 30,565	$ ---	$ 817	$ 468,941
Expenses	167,258	64,178	64,959	20,624	2,248	2,653	321,920	158,375	50,074	71,905	23,459	1,964	3,792	309,569
Net Income	45,001	117,926	6,674	7,629	(2,248)	(2,000)	172,982	46,046	111,612	(453)	7,106	(1,964)	(2,975)	159,372
Win tax	---	---	12,826	5,251	---	---	18,077	---	---	12,906	5,757	---	---	18,663
Payment to Province	$ 45,001	$ 117,926	$ 19,500	$ 12,880	$ (2,248)	$ (2,000)	$ 191,059	$ 46,046	$ 111,612	$ 12,453	$ 12,863	$ (1,964)	$ (2,975)	$ 178,035

Statement of Retained Earnings
For the Year Ended March 31, 2003

(in thousands)

	2003	2002
Retained earnings, beginning of year	$ ---	$ ---
Net Income	172,982	159,372
Net income paid to Province	(172,982)	(159,372)
Retained earnings, end of year	$	$

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Increase (decrease) in cash and cash equivalents		
Operating		
Net Income	$ 172,982	$ 159,372
Allocation of income to Province	(172,982)	(159,372)
Depreciation and amortization	7,407	8,007
Net changes in short-term assets and liabilities (Note 16)	10,588	(1,542)
	17,995	6,465
Financing		
Increase in obligation to Atlantic Gaming Equipment Limited	17,033	16,728
Reduction of capital obligation	(13,729)	(4,808)
	3,304	11,920
Investing		
Purchase of fixed assets, net additions	(18,727)	(20,086)
Increase in Casino Capital Replacement Reserve, net of cash increase	634	414
	(18,093)	(19,672)
Net Increase (decrease) in cash & cash equivalents	3,206	(1,287)
Cash, beginning of year	15,836	17,123
Cash, end of year	$ 19,042	$ 15,836

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements
For the Year Ended March 31, 2003

1. Description of Business

The Corporation was incorporated on February 15, 1995, by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2. Accounting Policies

a) Basis of Presentation
The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues
In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues
In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

d) Video Lottery Revenue
In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Income Guarantee
In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor), an income guarantee was provided to the Corporation which provided that if Total Provincial Revenue was less than $25 million in each of the four years ended July 31, 1999, then the Operator would pay to the Corporation an amount equal to the difference between Total Provincial Revenue and $25 million.

If Total Provincial Revenue exceeded $25 million in any year through to July 31, 2000, any previous guarantee payments paid by the Operator to the Corporation would be recovered to the extent Total Provincial Revenue was in excess of $25 million in such year. The Corporation records any repayments to the Operator as a reduction of net income of the Corporation.(Note 3)

f) Capital Assets
Capital Assets are stated at cost less accumulated amortization.

Amortization on the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization on the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

g) Nova Scotia Gaming Foundation Contribution

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

h) Long-term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Unclaimed Lottery Prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Casino Nova Scotia

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

ii) Payments to Operator

The Operator is entitled to certain payments from each casino calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital investment in Halifax ($91.6 million total, $69.3 million outstanding) and Sydney ($23.2 million total, $5.4 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the total outstanding capital investment;

- an amount equal to 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;
- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above; and,
- an amount equal to 35% of cash available for distribution in Halifax.

iii) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 - December 31. Any net operating income earned by the Corporation during the period January 1 - March 31, 2003 is subject to adjustment for the results of operations in the period April 1 - December 31, 2003.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included $12,577,000(2002 - $10,003,000) in cash from the Casino Accounts on the Balance Sheet.

c) Income Guarantee

The income guarantee and clawback periods were on July 31, 2000. Between April 1, 2000 and July 31, 2000, Total Provincial Revenue exceeded the income guarantee pro-rata allocation by $700,000, which reduced the Corporation's net operating income for the 2000-01 year (Note 2).

In 2002-03, the Corporation received $1,069,000 (2001-02-$849,000) in HST savings related to the income guarantee and clawback periods, which was repaid to the Operator.

d) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and the Sydney casino complexes, including capital assets and working capital totalling $3.1 million for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract.

e) Capital Replacement Reserve

A capital replacement reserve, based on 1.5% of annual gross operating revenues of the casinos, is intended to provide for replacement of casino capital assets.

f) Recovery of HST

Casino Nova Scotia engaged a consultant to review the HST Regulations applicable to casino operations and determine whether there are potential HST savings. As a result of the review, the Corporation received recovery of HST of $6.7 million (2001-02 - $0.3 million), which is net of HST on the equity repayment, fees and repayment to the operator for rebates related to the income guarantee and clawback periods.

4. Atlantic Lottery Corporation Inc.

a) Profit Distribution

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

b) Agency Agreement

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The Agreement has not yet been signed; however, it has been implemented operationally since April 1, 2000. Management does not believe that there will be any significant changes to the financial statements as a result of signing the Agreement.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets and expired prizes in the unclaimed prize fund pre - April 1, 2000.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlanic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

5. Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	2003	2002
	(in thousands)	
The Department of Tourism and Culture (in support of the Cultural Federation of Nova Scotia)	$ 50	$ 50
The Department of Agriculture and Fisheries (in support of the Exhibition Association of Nova Scotia)	50	50
The Sport and Recreation Commission (in support of Sport Nova Scotia)	100	100
	$ 200	$ 200

These payments are special funds under the Provincial Finance Act established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the Gaming Control Act.

Bonus commissions of $5,000 (2002 - $9,000) were paid during the year to ten sporting and cultural organizations.

6. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event-Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
		(in thousands)		
Automotive	$ 1,100	$ 355	$ 745	$ 629
Computer equipment	4,014	1,413	2,601	2,771
Furniture and equipment	138	67	71	74
Computer Software	38	6	32	---
Retail equipment	250	33	217	---
Leaseholds	610	256	354	396
Halifax casino assets	91,637	14,554	77,083	82,527
Sydney casino assets	23,206	10,975	12,231	12,889
Casino furniture and equipment	5,211	2,776	2,435	1,801
On-line gaming terminals	10,927	4,499	6,428	8,659
Video lottery terminals	49,377	13,481	35,896	17,026
	$ 186,508	$ 48,415	$ 138,093	$ 126,772

In 2002-03, the Corporation acquired capital assets of $26.8 million (2002 - $20.9 million) financed through Atlantic Gaming Equipment Limited, $0.4 million (2002 - $2.1 million) financed by Metropolitan Entertainment Group, and $1.6 million (2002 - $1.1 million) financed by the Casino Capital Replacement Reserve.

8. Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

	Halifax	Sydney (in thousands)	Total
2004	$ 36,238	$ 2,843	$ 39,081
2005	17,258	2,564	19,822
2006	15,684	793	16,477
2007	14,109	—	14,109
Subsequent	1,104	—	1,104
Net minimum obligation	84,393	6,200	90,593
Less: amount representing interest at 12%	13,398	785	14,183
Present value of minimum obligation	70,995	5,415	76,410
Less: amount due within one year	30,529	2,321	32,850
Balance of obligation	$ 40,466	$ 3,094	$ 43,560

9. Capital Replacement Reserve Liability

	Halifax	Sydney	Total 2003 (in thousands)	Total 2002
Cash balance, beginning of year	$ 4,416	$ 1,305	$ 5,721	$ 5,080
Funding	1,075	424	1,499	1,531
Interest	105	32	137	185
Capital Asset purchases	(1,210)	(401)	(1,611)	(1,075)
Cash balance, end of year	4,386	1,360	5,746	5,721
Add: cumulative capital asset purchases	3,063	2,148	5,211	3,600
Less: accumulated amortization	(1,628)	(1,148)	(2,776)	(1,799)
Balance, end of year	$ 5,821	$ 2,360	$ 8,181	$ 7,522

10. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

11. Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2002, Government approved a contribution of $750,000 in 2002-03 to support the harness racing industry in Nova Scotia.

In March 2003, Government approved a $750,000 contribution in 2003-04 to support the harness racing industry in Nova Scotia.

12. Due to Operators

	2003	2002
	(in thousands)	
Due to Atlantic Lottery Corporation Inc.	$ 5,724	$ 60
Due from Lottery Operations	(8,259)	(6,515)
Due to Lottery Operations	5,460	6,341
Due to Casino Operations	11,180	9,084
	$ 14,105	$ 8,970

13. Other Commitments

The Corporation is required to make annual lease payments of approximately $104,000 over the next three years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $790,000 over the next four years.

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

15. Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the superannuation fund.

16. Supplemental cash flow information

	2003	2002
	(in thousands)	
Net changes in short-term assets and liabilities		
Inventory	$ (639)	$ 52
Prepaids	(151)	(2)
Accounts Payable	1,445	(517)
Deferred Lottery Revenue	183	(178)
Due to operators	5,135	(1,152)
Payable to Nova Scotia Gaming Foundation	(2)	8
Due to Province of Nova Scotia	4,617	247
	$ 10,588	$ (1,542)

17. Fair value of financial assets and financial liabilities

The fair value of the Corporation's cash, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capiital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

The fair value of the Corporation's due to Atlantic Gaming Equipmet Limited at March 31, 2003 was $40.3 million compared to a carrying value of $45.9 million . Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments discounted at current market rates availible to the Corporation for the same or similar instuments.

Schedule I

NOVA SCOTIA GAMING CORPORATION
Atlantic Lottery Corporation Inc.

Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2003

	Ticket Lottery	Video Lottery	Total 2003	Total 2002
	(in thousands)			
Ticket Lottery Sales	$ 212,259	$ —	$ 212,259	$ 204,421
Ticket Lottery Sales Discounts	324	—	324	297
Prize Expense	113,968	—	113,968	106,637
Net Ticket Lottery Sales	97,967	—	97,967	97,487
Net Video Lottery Sales	—	182,104	182,104	161,686
Total Net Sales	97,967	182,104	280,071	259,173
Retailer Commissions	13,558	39,299	52,857	47,959
Ticket Costs	5,764	881	6,645	5,663
	19,322	40,180	59,502	53,622
Gross Profit	78,645	141,924	220,569	205,551
Operating Expenses				
Advertising & Promotion	3,631	180	3,811	3,711
Communication	117	89	206	448
Depreciation & Amortization	591	310	901	1,382
Development & Recruitment	476	215	691	471
Equipment & Maintenance	886	781	1,667	1,925
General & Professional Services	643	304	947	1,793
Lease Expense	3,312	7,770	11,082	4,597
Movement & Storage	440	110	550	587
Occupancy Cost	746	563	1,309	1,309
Other	182	117	299	266
Research & Development	311	50	361	464
Salaries & Benefits	7,064	4,325	11,389	9,973
Supplies	136	86	222	324
Telecommunication	2,380	247	2,627	2,468
Travel & Vehicle Expenses	915	587	1,502	1,375
Total Operating Expenses	21,830	15,734	37,564	31,093
Operating Profit	56,815	126,190	183,005	174,458
Other Income (expenses)	(373)	(87)	(460)	961
Profit Before Other Distributions	56,442	126,103	182,545	175,419
HST Expense	5,308	7,504	12,812	11,315
Federal Contribution	934	673	1,607	1,556
Charity Non-Profit	39	—	39	44
Retailer Bonus	5,160	—	5,160	4,846
Net Profit	$ 45,001	$ 117,926	$ 162,927	$ 157,658

NOVA SCOTIA GAMING CORPORATION

Halifax Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Revenue		
Casino Revenue	$ 64,129	$ 64,531
Beverage, Food and Other Revenue	7,504	6,921
	71,633	71,452
Expenses		
Amortization	5,825	5,772
Capital Replacement Reserve (Note 3)	1,075	1,072
General Administration and Marketing	9,366	8,153
Harmonized Sales Tax	5,191	6,773
Recovery of HST (Note 3)	(5,631)	(289)
Interest	8,176	9,664
Other Expenses Including Cost of Beverage and Food	4,548	5,322
Premise Expense	3,008	2,737
Salaries and Benefits	20,575	19,795
Win Tax	12,826	12,906
	64,959	71,905
Net Income	6,674	(453)
Win Tax	12,826	12,906
Total Payment to Province	$ 19,500	$ 12,453

NOVA SCOTIA GAMING CORPORATION

Sydney Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Revenue		
Casino Revenue	$ 26,255	$ 28,787
Beverage, Food and Other Revenue	1,998	1,778
	28,253	30,565
Expenses		
Amortization	658	826
Capital Replacement Reserve (Note 3)	424	459
General Administration and Marketing	2,405	2,216
Harmonized Sales Tax	1,794	2,286
Recovery of HST (Note 3)	(1,085)	—
Interest	801	1,079
Operator Fee (Note 3)	1,621	1,989
Other Expenses Including Cost of Beverage and Food	1,336	1,654
Premise Expense	703	543
Salaries and Benefits	6,716	6,650
Win Tax	5,251	5,757
	20,624	23,459
Net Income	7,629	7,106
Win Tax	5,251	5,757
Total Payment to Province	$ 12,880	$ 12,863

NOVA SCOTIA GAMING CORPORATION

Other Revenues and Expenses
For the Year Ended March 31, 2003

	2003	2002
	(in thousands)	
Other Revenues		
Payment from New Brunswick	$ 393	$ 500
Interest Income	260	317
Total Other Revenues	653	817
Other Expenses		
Special Payments and Bonus Commissions (Note 5)	205	209
Nova Scotia Harness Racing Fund Contribution (Note 11)	750	1,000
Management Expenses		
Advertising	3	1
Amortization	23	27
Directors fees	52	44
Harmonized Sales Tax	103	144
Membership Dues	11	7
Occupancy Taxes	5	5
Office and Miscellaneous	35	41
Office Equipment	14	17
Periodicals	15	8
Postage and Freight	8	7
Printing and Stationery	12	13
Professional and Other Fees	73	650
Rent	120	98
Salaries and Benefits	1,129	1,431
Telecommunications	16	21
Training	38	26
Travel	41	43
	1,698	2,583
Total Other Expenses	2,653	3,792
	$ (2,000)	$ (2,975)

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of the Office of Health Promotion

I have audited the balance sheet of Nova Scotia Gaming Foundation for the year ended March 31, 2003, and the statement of operations and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2003, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 15, 2003

NOVA SCOTIA GAMING FOUNDATION

Balance Sheet
as at March 31, 2003

ASSETS

		2003		2002
Current Assets				
Cash	$	4,540,624	$	4,444,811
Accrued Interest		10,612		6,667
Due from Nova Scotia Gaming Corporation		73,896		76,376
	$	4,625,132	$	4,527,854

LIABILITIES

		2003		2002
Current Liabilities				
Accounts Payable	$	10,887	$	18,319
Grants Payable		730,021		682,139
		740,908		700,458
Fund Balance		3,884,224		3,827,396
	$	4,625,132	$	4,527,854

Statement of Operations,
for the year ended March 31, 2003

		2003		2002
Revenues				
Nova Scotia Gaming Corporation	$	455,259	$	404,216
VLT Retailers		455,259		404,216
Interest		109,329		132,168
		1,019,847		940,600
Expenses				
Grants		776,967		574,740
Board meetings		14,619		18,801
Committee meetings		4,290		2,253
Public relations		29,088		—
Administrative salaries & benefits		56,776		50,885
Travel		1,472		754
IT hardware and supplies		671		4,473
Printing and advertising		27,233		2,577
Professional fees		51,762		2,500
Office		141		—
		963,019		656,983
Excess of revenues over expenses		56,828		283,617
Fund balance, beginning of year		3,827,396		3,543,779
Fund balance, end of year	$	3,884,224	$	3,827,396

NOVA SCOTIA GAMING FOUNDATION

Statement of Cash Flows
for the year ended March 31, 2003

	2003	2002
Cash Flows from Operating Activities	$ 56,828	$ 283,617
Add (deduct) changes in non-cash working capital		
Change in accrued interest	(3,945)	9,371
Change in due from Nova Scotia Gaming Corporation	2,480	(8,805)
Change in accounts payable	(7,432)	(18,481)
Change in grants payable	47,882	256,816
	38,985	238,901
Increase in cash	95,813	522,518
Cash, beginning of year	4,444,811	3,922,293
Cash, end of year	$ 4,540,624	$ 4,444,811

NOVA SCOTIA GAMING FOUNDATION

Notes to Financial Statements
for the year Ended March 31, 2003

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the Gaming Control Act, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the Nova Scotia Gaming Foundation Regulations by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. The Foundation is managed by a Board of Directors.

3. Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles.

4. Administrative Services

Accounting services were provided by the Department of Health at no cost.

AUDITORS' REPORT

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2002 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

June 24, 2003

NOVA SCOTIA GOVERNMENT FUND LIMITED

Balance Sheet
as at December 31, 2002

	2002	2001 Restated (Note 7)
ASSETS		
Cash and cash equivalents	$ 10,997,229	$ 14,721,624
Cash held in trust	---	258,774
Funds designated for investment (Note 3)	11,025,000	11,025,000
Interest receivable	99,841	162,515
Deferred financing costs	1,070,823	1,755,632
	$ 23,192,893	$ 27,923,545
LIABILITIES		
Accounts payable and accrued liabilities	$ 254,420	$ 29,972
Notes payable (Note 4)	21,500,000	26,000,000
	21,754,420	26,029,972
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	1	1
Retained earnings	1,438,472	1,893,572
	1,438,473	$ 1,893,573
	$ 23,192,893	$ 27,923,545

Contingency (Note 4)

Statement of Earnings
Year Ended December 31, 2002

	2002	2001 Restated (Note 7)
Revenue		
Interest	$ 838,883	$ 1,074,838
Expenses		
Amortization	684,809	501,609
Interest expense	331,013	307,491
Administration fees	269,447	234,417
Professional fees	8,661	12,535
Bank and interest charges	53	25
	1,293,983	1,056,077
Net (loss) earnings	$ (455,100)	$ 18,761

NOVA SCOTIA GOVERNMENT FUND LIMITED

Statement of Retained Earnings
Year Ended December 31, 2002

	2002	2001 Restated (Note 7)
Retained earnings, beginning of year as previously stated	$ 2,645,986	$ 2,125,616
Prior period adjustment (Note 7)	(752,414)	(250,805)
Retained earnings, beginning of year, restated	1,893,572	1,874,811
Net (loss) earnings	(455,100)	18,761
Retained earnings, end of year	$ 1,438,472	$ 1,893,572

Statement of Cash Flows
Year Ended December 31, 2002

	2002	2001 Restated (Note 7)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net (loss) earnings	$ (455,100)	$ 18,761
Amortization	684,809	501,609
Changes in non-cash operating items	287,122	569,707
	516,831	1,090,077
Financing		
Repayment of notes	(4,500,000)	—
Issue of notes	—	250,000
	(4,500,000)	250,000
Net cash (outflow) inflow	(3,983,169)	1,340,077
Cash and cash equivalents, beginning of year	14,980,398	13,640,321
Cash and cash equivalents, end of year	$ 10,997,229	$ 14,980,398
Cash and cash equivalents represented by:		
Cash in bank	$ 250,542	$ 1,829
Province of Nova Scotia promissory notes (unsecured)	10,746,687	14,719,795
Cash held in Trust	—	258,774
	$ 10,997,229	$ 14,980,398

NOVA SCOTIA GOVERNMENT FUND LIMITED

Notes to the Financial Statements
December 31, 2002

1. THE FUND

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

2. ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

b) Deferred Financing Costs

Financing costs are deferred and amortized on a straight-line basis over the term of the notes payable.

c) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires mangement to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. FUNDS DESIGNATED FOR INVESTMENT

In July 1999, the Fund agreed to lend the sum of $11,025,000 to Alderney Landing Limited and Nova Learning Incorporated to fund construction projects. As at December 31, 2002, the balance has been paid to an escrow agent pending further eligible projects by the borrowers. Funds are currently invested with the Province of Nova Scotia.

4. NOTES PAYABLE

The notes payable are unsecured and bear interest at the rate of 1% annually. The notes were scheduled for repayment 5 years from the date the funds were invested in eligible investments.

The Immigration Act of Canada stipulates that the investor's funds must be invested within nine months of receipt; however, the Fund has not met this requirement for the majority of the funds received. In addition, the Fund has only completed one investment to date rather than the minimum of two investments required. A second investment was authorized by the Fund in June 2000 in the amount of $7,175,000 to Education Services and Products (N.S.) Limited. The Fund is a minority shareholder in Education Services and Products (N.S.) Limited. Certain matters relating to the investment are expected to be concluded during 2003, but the proposed investment date relating to the required holding period is June 26, 2000, subject to Citizenship Immigration Canada (CIC) approval. The Fund has agreed to increase the interest rate on notes not paid 5 years and nine months after the date of issue (see below).

As indicated, the notes payable issued by the Fund were intended to be repaid 5 years from the investment date, which was expected to be no later than nine months following the date of the notes. On this basis, the notes of 18 investors were originally expected to be repaid not later than March 27, 2002. The Fund provided $250,000 to each holder of these 18 notes by cheques dated March 27, 2002. The CIC objected to further disbursements of this nature from the Fund until completion of the five-year investment requirement of CIC. No provision for financial ramifications related to these requirements, if any, are included in these financial statements.

In response to the CIC's objection, alternative options for reimbursement were explored and the Fund provided holders of the remaining notes two options for repayment, both of which have been approved by the CIC. The first option is that investors may leave their money in the Fund and be paid interest, at a rate equal to that of a Province of Nova Scotia bond, annually until the note is repaid. The second option involves a Royal Bank of Canada facility established by an agent for the investors and guaranteed by the Province of Nova Scotia. Investors may take out a loan of $240,000 under this facility and all costs of arranging the bank loan as well as interest costs on the loan are paid by increasing the interest payable by the Fund under the notes from 1% to the total of these costs. When a note issued by the Fund in favour of an investor who borrowed from the Royal Bank of Canada is repaid, $240,000 of the amount is to be paid to the bank pursuant to the investor's assignment of the note. Investors will then receive the $10,000 balance from the note payable, together with accrued interest based on the rate applicable to option one. By December 31, 2002, a total of $7,300,000 had been borrowed by the agent for the investors to advance to the investors under option two.

5. SHARE CAPITAL

Authorized:
40,000 Common shares with no par value

	2002	2001
Issued:		
100 Common shares	$ 1	$ 1

6. FINANCIAL INSTRUMENTS

The fair value of the Fund's financial instruments approximate their carrying values given their short-term maturities.

7. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded to recognize the amortization of deferred financing costs since the proposed investment date of the second eligible investment, and accordingly, the prior years' financial statements have been restated. Previously reported retained earnings as at December 31, 2000 have been restated to recognize $250,805 in amortization expense that related to the 2000 fiscal year. Also, the December 31, 2001 comparatives have been restated to recognize $501,609 in amortization expense.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Harness Racing Incorporated as at March 31, 2003 and the statement of income for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 29, 2003

NOVA SCOTIA HARNESS RACING INCORPORATED

Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
	(in thousands)	
Current		
Bank	$ —	$ —
	—	—

LIABILITIES

	2003	2002
Current		
Accounts payable	$ —	$ —
	$ —	$ —

Income Statement
for the year ended March 31, 2003

	2003	2002
	(in thousands)	
Revenue		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation	$ 750	$ 1,000
Expenses		
Contribution to NS Department of Agriculture & Fisheries	750	1,000
	750	1,000
Excess of revenue over expenses	$ —	$ —

See accompanying notes to the financial statements.

NOVA SCOTIA HARNESS RACING INCORPORATED

Notes to the Financial Statement
for the year ended March 31, 2003

1. Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the Companies Act on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the Nova Scotia Harness Racing Incorporated Regulations.

In March 2002, the Government decided to provide $750,000 in 2002-03 (2001-02 - $1 million) to support the harness racing industry in Nova Scotia. $750,000 was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture and Fisheries. The Department of Agriculture and Fisheries managed the monies received from the Fund and determined how they would be distributed to the industry.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

3. Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value, which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

AUDITOR'S REPORT

To the Directors of the Nova Scotia Health Research Foundation

We have audited the balance sheet of Nova Scotia Health Research Foundation as at March 31, 2003 and the statements of the Foundation's net assets and operating support and expenditures for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year figures were reported on by other accountants.

HUNTER & BELGRAVE
Chartered Accountants

Dartmouth, Nova Scotia
June 11, 2003

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Operating Support and Expenditures
Year Ended March 31, 2003

	2003	2002 (as restated)
OPERATING SUPPORT		
Grant revenue	$ 375,000	$ 750,000
Program sponsorships	30,000	33,500
Interest income	306,474	32,620
	711,474	816,120
OPERATING EXPENSES		
Capacity building program	277,521	328,380
Salaries and benefits	185,127	159,449
Communications, public awareness and research findings	99,576	92,784
Consultants	85,391	44,968
Workshops	71,239	87,630
Peer review of grant applications	48,390	34,536
Office Supplies	24,244	37,675
Travel and meetings	17,249	18,955
Telephone, fax and website maintenance	14,644	7,255
Meals and networking	6,833	3,438
Depreciation	6,675	7,848
Professional development	3,731	5,022
Regional partnership program	91	630
	840,711	828,570
EXCESS OF EXPENDITURES OVER SUPPORT	(129,237)	(12,450)
Net assets unrestricted balance, beginning of year, as originally reported	21,129	504,517
Error correction (note 9)	375,000	375,000
Net assets unrestricted balance, beginning of year, as restated	396,129	879,517
Transfer to restricted fund	—	(465,035)
Net change in investment in capital assets	5,505	(5,904)
NET ASSETS UNRESTRICTED BALANCE, END OF YEAR	$ 272,397	$ 396,128

Nova Scotia Health Research Foundation

Statement of Changes in Net Assets
For Year Ended March 31, 2003

	Invested in capital assets	Restricted	Unrestricted	2003 Total	2002 (as restated) Total
Balance, beginning of year, as originally reported	$ 33,681	$ 310,592	$ 21,129	$ 365,402	$ 388,995
Error correction (Note 9)	—	2,502,261	375,000	2,877,261	2,500,000
Balance, beginning of year, as restated	33,681	2,812,853	396,129	3,242,663	2,888,995
Excess of expenditures over support	—	—	(129,237)	(129,237)	(12,450)
Support for grants	—	2,125,000	—	2,125,000	4,250,000
Issuance of grants	—	(4,325,376)	—	(4,325,376)	(4,068,734)
Interest on restricted funds)	—	—	—	—	184,851
Net change in investments in capital assets					
depreciation	(6,675)	—	6,675	—	—
acquistion of capital assets	1,170	—	(1,170)	—	—
Balance, end of year	$ 28,176	$ 612,477	$ 272,397	$ 913,050	$ 3,242,662

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002 (as restated)
Cash		
- administration	$ 34,631	$ —
- restricted	269,351	—
Accounts receivable		
- administration	25,375	404,152
- restricted	221,368	2,156,846
Investments (note 4)		
- administration	225,838	134,013
- restricted	3,611,503	2,759,124
Capital assets (note 5)	28,176	33,681
	$ 4,416,242	$ 5,487,816

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	$ —	$ 73,973
Accounts payable and accrued liabilities		
- administration	13,449	68,064
- restricted	3,489,743	2,103,116
	3,503,192	2,245,153

NET ASSETS

Net assets invested in capital assets	28,176	33,681
Net assets restricted	612,477	2,812,853
Net assets unrestricted	272,397	396,129
	$ 913,050	$ 3,242,663
	$ 4,416,242	$ 5,487,816

Notes to Financial Statements
Year Ended March 31, 2003

1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22) was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health-outcome research, health public policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

2. SUMMARY OF SIGNIFACANT ACCOUNTING POLICY

The Financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund is used to account for the primary operations of the Foundation, including costs related to administration, operations, and promotion of public awareness of the Foundation. Government grants and other income recorded directly by this fund include only those available for unrestricted operating purposes.

The Restricted Fund is used to account for funds received that are designated for the issuance of research grants including grants for medical, health-outcome, health-services, and public policy research. At the time the research grants are approved, the grant amounts payable are recorded as a reduction of the fund equity.

Revenue Recognition

Contributions are recognized as revenue of the fund to which they relate in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments, bank indebtedness and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

Investments

Investments are valued at the lower of average cost and quoted market value if there is a permanent decline in value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Capital Assets

Capital assets are recorded at cost, and are amortized using the declining balance method at the annual rate of 30% for computer equipment and 20% for furniture and fixtures. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal. Leasehold improvements are amortized by the straight-line method over ten years with a full year of amortization recorded in the year of acquisition.

3. DISTRIBUTION OF FUNDING

The annual grant made to the Foundation, which is provided from funds appropriated by the Nova Scotia legislature, shall be distributed in accordance with the objects of the Foundations as follows:

(a) 40% shall be spent on medical research
(b) 15% shall be spent on health-outcome research
(c) 15% shall be spent on health-services research
(d) 15% shall be spent on health public-policy research
(e) a maximum of 15% may be spent on the administration of the Foundation and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

If less than the total money allocated is spent in any of the categories, the remaining portion shall be reallocated to one of the remaining categories in a manner determined by the Board. During 2002 the board approved reallocating 85% of the remaining portion of unspent administrative funds to medical research.

4. INVESTMENTS

At year end the investments consisted of

> 105,368.329 (2002 - 154.94) units of Investors Canadian High Yield Money Market Fund with an average cost of $10.00 (2002 - $10.00) per unit. Cost - $1,053,683 (2002 - $1,549); market value - $1,053,683 (2002 - $1,549).
>
> 557,346.449 (2002 - 243,164.68) units of Investors Government Bond Fund with an average cost of $4.99 (2002 - $4.74) per unit. Cost - $2,781,159 (2002 - $1,152,601); market value - $2,764,996 (2002 - $1,157,464).
>
> Nil (2002 - 143,789.14) units of Investors Canadian High Yield Income Fund with an average cost of $nil (2002 - $8.51) per unit. Cost - $nil (2002 - $1,223,646); market value - $nil (2002 - $1,262,469).
>
> Nil (2002 - 103,899.66) units of Investors Mortgage Fund with an average cost of $nil (2002 - $4.96) per unit. Cost - $nil (2002 - $515,342); market value - $nil (2002 - $517,212).

Investments have not been written down to quoted market value because there has been not been a permanent impairment in vakue.

5. CAPITAL ASSETS

	2003			2002
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computer equipment	$ 11,967	$ 6,476	$ 5,491	$ 6,424
Furniture and fixtures	23,427	9,536	13,891	17,364
Leasehold improvements	10,992	2,198	8,794	9,893
	$ 46,386	$ 18,210	$ 28,176	$ 33,681

6. RESTRICTED FUND

During the year the restricted fund received a support grant from the province of Nova Scotia, authorized and paid health research grants, and earned investment income on the funds invested. For the current year all investment income was allocated to the operating fund. Amounts have been distributed to each category as follows:

	Opening Fund Balance (as restated)	Support Grant	Authorized Grants	Investment Income	Ending Fund Balance
Medical research	$ 1,081,179	$ 1,000,000	$ (2,045,838)	$ —	$ (1,045,838)
Health outcome, services and public policy research	1,731,675	1,125,000	(2,279,537)	—	(1,154,537)
	$ 2,812,854	$ 2,125,000	$ (4,325,375)	$ —	$ (2,200,375)

7. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

8. STATEMENT OF CASH FLOW

A statement of cash flow was not prepared, as it would not provide any additional meaningful information to the users of these financial statements.

9. ERROR CORRECTION

During the current year two errors were discovered related to prior periods. The prior period financial statements have been restated to reflect the error corrections.

During 2002 the Foundation acccrued a $500,000 payable for the Regional Partnership Porogram; however, the grants actually approved and payable for 2002 amounted to only $122,738. Grants payable, included in restricted accounts payable and accrued liabilities, and the corresponding issued grants for 2002 have been reduced by $377,262 to reflect the actual approved grants payable balance of $122,738. This adjustment resulted in an increase of $377,262 in the opening net assets restricted for 2003.

During previous years the Foundation has never accrued a receivable for the second support grant of $2,500,000 owing from the province of Nova Scotia at year end and has accounted for the support grants received on a cash basis. Prior year figures have been adjusted to reflect the support grant receivable of $2,500,000 from the province of Nova Scotia at year end. The support grant receivable for 2002 was allocated $375,000 to administration accounts receivable and $2,125,000 to restricted accounts receivable in accordance with the objects of the Foundation. This adjustment resulted in an increase of $375,000 in the opening net assets unrestricted for 2003 and an increase of $2,125,000 in the opening net assets restricted for 2003. For the year ended March 31, 2003, the support grant receivable was $nil.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Community Services

I have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2003, and the consolidated statements of revenues and expenses and changes in fund balance for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2003, and the results of its operations and changes in the fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
July 11, 2003

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
Current assets		
Cash, accounts receivable and accrued interest	$ 9,489,748	$ 5,305,143
Current portion of mortgages receivable (Note 7)	2,871,084	2,783,000
	12,360,832	8,088,143
Mortgages receivable (Note 7)	36,307,775	31,660,745
Investment in land and social housing (Notes 8)	379,598,521	393,300,363
Deferred development costs (Note 16)	5,795,746	809,490
Fund for future social housing expenditures (Note 4)	31,882,286	18,740,874
	$ 465,945,160	$ 452,599,615

LIABILITIES

	2003	2002
Current liabilities		
Payables and accruals	$ 10,108,090	$ 7,178,504
Current portion of long-term debt (Note 9)	10,849,425	10,285,035
Deferred federal contributions (Note 4)	31,882,286	18,740,874
	52,839,801	36,204,413
Long-term debt (Note 9)	318,949,953	319,909,225
Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10)	13,523,874	14,623,667
Partner's equity and minority interest (Note 12)	5,499,027	942,603
Housing Development Corporation Fund (Note 6)	75,132,505	80,919,707
	$ 465,945,160	$ 452,599,615

Commitments and Contingencies (Note 10)

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Statement of Revenues and Expenses for the Year Ended March 31, 2003

	2003	2002
Revenues		
Rental revenue	$ 48,624,312	$ 48,424,480
Interest revenue	2,212,751	2,533,873
Land sales	3,984,096	2,532,098
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4)	43,890,833	52,545,985
Recoveries from provincial government departments and municipalities (Note 5)	25,969,377	15,685,530
	124,681,369	121,721,966
Expenses		
Administration fee	2,605,637	2,524,129
Amortization of investment in social housing	9,564,032	9,007,387
Cost of land sales	2,517,169	385,172
Operating costs, Housing Authorities (Note 13)	59,136,190	56,180,899
Interest on long-term debt	29,407,072	30,609,753
Transfer to Housing Services	19,695,964	20,740,984
Provision for doubtful accounts	1,755,305	2,273,642
	124,681,369	121,721,966
Excess of revenues over expenditures	$ ---	$ —

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Changes in Fund Balance
for the Year Ended March 31, 2003

	2003	2002
Funds provided by (used for):		
Operations		
Excess of revenues over expenses	$ —	$ —
Add (Deduct):		
Expenses not requiring cash		
Amortization of investment in social housing	9,564,032	9,007,387
Increase in provision for doubtful accounts	1,755,305	2,273,642
Gain on sale of land	(1,466,927)	(2,146,926)
Net change in operating assets and liabilities	(1,255,019)	1,615,567
	8,597,391	10,749,670
Investing activities		
Decrease (increase) in mortgages receivable	(4,647,030)	2,476,285
Increase (decrease) in partner's equity and minority interest	4,556,424	(2,047,998)
Increase (decrease) in net investment in social housing and deferred development costs	(2,324,701)	1,540,299
	(2,415,307)	1,968,586
Financing activities		
Repayment of long-term debt	(394,882)	(7,246,371)
Decrease in Fund balance during the year	5,787,202	5,471,885
Fund balance, beginning of year	(80,919,707)	(86,391,592)
Fund balance, end of year	$ (75,132,505)	$ (80,919,707)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements
For the Year Ended March 31, 2003

1. Status of the Corporation

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

Basis of Consolidation

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

2. Significant Accounting Policies

The policies used in preparing the Corporation's consolidated financial statements are in accordance with accounting principles generally accepted in Canada.

Mortgages Receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

Investment in Land and Social Housing

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization.

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount equal to the principal repaid on the related long-term debt financing the project.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with reduction in the value of land developments.

Recoveries From CMHC - Social Housing

Pursuant to the Social Housing Agreement executed by the Corporation and Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

During 2002-03, the Corporation changed its method of disclosing CMHC recoveries, and the related transfer to Housing Services Division, from the gross amount of receipts per the Agreement to the actual amount used to fund related expenditures during the year. The difference continues to be recorded as a deferred recovery.

3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

4. Fund for Future Social Housing Expenditures

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contributions.

	2003	2002
Opening Balance, April 1	$ 18,740,874	$ 13,788,194
Total shareable expenditues	(68,695,886)	(67,067,191)
Less: Provincial Contributions	18,949,263	9,052,645
Less: Municipal Contributions	5,855,790	5,468,561
Expenses funded from FFSHE	(43,890,833)	(52,545,985)
CMHC social housing transfer per agreement	56,326,764	56,905,540
	12,435,931	4,359,555
Interest earned by the fund	705,481	593,125
Net increase in the fund	13,141,412	4,952,680
Closing Balance, March 31	$ 31,882,286	$ 18,740,874

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

5. Recoveries From Provincial Government Departments and Municipalities

Costs incurred by the Corporation for the amortization of provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

	2003	2002
Department of Community Services	$ 18,949,263	$ 9,052,645
Department of Justice	1,164,324	1,164,324
Municipal share of public housing costs	5,855,790	5,468,561
	$ 25,969,377	$ 15,685,530

6. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $175 million.

7. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $239,257 including interest. Interest rates vary from 6.5% to 13.05%, with renewal dates ranging from April 1, 2003 to October 1, 2012. The mortgages are secured by registered first mortgages on the related properties.

	2003	2002
Mortgages receivable	$ 41,814,118	$ 36,855,937
Less: Current portion due within one year	2,871,084	2,783,000
Provision for concessionary assistance and doubtful recoveries	2,635,259	2,412,192
	5,506,343	5,195,192
	$ 36,307,775	$ 31,660,745

Estimated principal repayments for the next four years are as follows:

2004-2005	$ 2,633,332
2005-2006	$ 2,563,629
2006-2007	$ 2,546,837
2007-2008	$ 2,573,345

8. Investment in Land and Social Housing

	2003	2002
Investment in land	$ 5,488,514	$ 6,549,163
Investment in social housing	380,698,392	391,400,172
	386,186,906	397,949,335
Less: Provision for doubtful land recoveries	2,488,385	3,068,676
Provision for fire and liability losses	4,100,000	1,580,296
	6,588,385	4,648,972
	$ 379,598,521	$ 393,300,363

9. Long -Term Debt

	2003	2002
Notes payable	$ 254,556,346	$ 252,656,544
Mortgages payable	75,243,032	77,537,716
	329,799,378	330,194,260
Less: Current portion due within one year	10,849,425	10,285,035
	$ 318,949,953	$ 319,909,225

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal. Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2003 to January 1, 2034.

Estimated principal repayments for the next four years are as follows:

2004-2005	$ 11,465,614
2005-2006	$ 12,164,166
2006-2007	$ 11,842,262
2007-2008	$ 11,818,779

10. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Transfer Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2003 there were 547 loans with an approximate outstanding balance of $171,740,510 (2002 - $178,473,218).

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2003 a total of 28 (2002 - 30) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $26,506,620 (2002 - $27,474,887).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of $13,523,874 (2002 - $14,623,667) which includes a reserve for risks associated with interest fluctuation of $3,200,000 (2002 - $3,200,000). In addition, the Corporation has a provision of $3,100,000 (2002 - $1,000,000) self insurance included in the provision for fire and other social housing losses as disclosed in Note 8.

11. Related Party Transactions

Included in Note 5 of these consolidated financial statements are transactions with various Nova Scotia government departments related to the Corporation by virtue of common control.

12. Partners' Equity (Deficiency) and Minority Interest

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services - Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustee, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

		2003		2002
Department of Community Services				
Opening balance, April 1	$	7,373,425	$	9,515,968
Advances and amortization		51,820,707		44,073,446
Payment of deficits by municipalities		(6,615,249)		(5,563,106)
Deffered assistance		(644,887)		(1,790,063)
Excess of revenue over expenses		(40,252,937)		(38,862,820)
Closing balance, March 31		11,681,059		7,373,425
Various Municipalities' and Towns' Minority Interest				
Opening Balance, April 1		(6,430,822)		(6,525,367)
Payments of deficits by municipalities		6,615,249		5,563,106
Excess of revenue over expenses		(6,366,459)		(5,468,561)
Closing balance, March 31		(6,182,032)		(6,430,822)
Partners' Equity	$	5,499,027	$	942,603

13. Operating (Housing Authorities)

		2003		2002
Administration	$	11,668,588	$	11,181,609
Maintenance		14,165,625		13,561,458
Management fee		413,904		1,014,650
Modernization and improvements		3,990,983		4,970,944
Municipal taxes		7,666,453		6,553,158
Other operating		7,210,194		6,906,153
Utilities		14,020,443		11,992,927
	$	59,136,190	$	56,180,899

14. Pension Plan and Post Employment Benefits

The Housing Authorities each have defined contribution pension plans available to eligible employees. Housing Authority contributions are included in operating expenses in the consolidated statement of revenues and expenses. The Housing Authorities record the costs of retirement health benefits and public service awards in the year they are paid. An actuarial estimation of the liability related to these benefits has not been made.

15. Tangible Capital Assets

The investment in social housing disclosed in Note 8 of $380,698,392 (2002 - $391,400,172) includes social housing properties acquired through the Social Housing Agreement from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included cost of land and buildings. Net book value was amortized over the years. Amortization includes amounts related to land which is not in accordance with generally accepted accounting principals. Historical information related to the original cost of land versus buildings is not available.

On a carry forward basis, future construction and or acquisitions will be separated as to land and building in accordance with generally accepted accounting principles.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and method of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buidings	5% declining balance
Equipment	20% declining balance
Computer equipment	30% declining balance
Vehicles	30% declining balance

The following information on cost, accumulated amortization and net book value is available for those assets:

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Buidings	$ 7,021,443	$ 1,680,369	$ 5,341,074	$ 4,694,751
Equipment	56,376	30,398	25,978	32,473
Computer	73,772	57,006	16,766	23,484
Vehicles	1,576,308	1,112,771	463,537	483,374
Total	$ 8,727,899	$ 2,880,544	$ 5,847,355	$ 5,234,082

16. Deferred Development Costs

During 2001-02 the Housing Authorities began work on inplementation of the Information Technology Review Program. Deferred development costs of $5,795,746 (2002 - $809,490) incurred to date include consulting fees, training and certain overhead costs associated with the Program. The Program was completed in March 2003. The Housing Authorities will begin amortizing costs in April 2003 on a straight line basis over five years.

17. Comparative Figures

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2003 and the consolidated statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 3, 2003

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash and cash equivalents	$ 1,434,172	$ 2,130,218
Receivables	1,418,895	1,628,794
Inventories	99,592	99,033
	2,952,659	3,858,045
Investments and funds		
Nova Scotia First Fund (Note 3)	8,376,874	9,393,115
Research Endowment Fund (Note 4)	661,182	661,182
Other investments (Note 5)	502,752	708,590
Receivables (Note 6)	309,660	493,557
Capital assets (Note 7)	5,296,599	5,536,148
Intangible assets (Note 8)	9,335	1,019
Deferred lease inducement (Note 9)	109,659	44,270
	$ 18,218,720	$ 20,695,926

LIABILITIES

	2003	2002
Current		
Payables and accruals	$ 701,354	$ 881,541
Payable to Province of Nova Scotia	2,940,535	2,823,274
Deferred revenue	72,233	72,003
Current portion of long term debt	31,468	29,265
	3,745,590	3,806,083
Long term debt (Note 10)	376,229	432,375
Deferred revenue	15,519	16,412
Deferred government contributions (Note 2(h))	378,454	390,725
	4,515,792	4,645,595
Non-controlling interest (Note 13)	---	(323,399)

EQUITY

	2003	2002
Capital stock and contributed surplus (Note 11)	19,110,755	19,110,755
Deficit	(5,407,827)	(2,737,025)
	13,702,928	16,373,730
	$ 18,218,720	$ 20,695,926

Commitments (Note 3)
Contingency (Note 3)

See accompanying notes to the consolidated financial statements

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statements of Loss and Deficit
Year Ended March 31, 2003

	2003	2002
Revenues and contributions		
Government contributions (Note 12)	$ 2,207,171	$ 2,333,968
Mentoring	909,569	697,834
Incubation	603,800	437,732
Investment	5,774	71,238
Tehnical services	159,355	686,259
	3,885,669	4,227,031
Expenses		
Mentoring	1,889,722	2,021,357
Incubation	979,892	887,538
Investment	248,538	319,768
Tehnical services	152,467	582,749
Corporate services	1,385,690	1,457,271
	4,656,309	5,268,683
Operating loss	(770,640)	(1,041,652)
Amortization	(317,964)	(397,124)
Investment income (loss), net of valuation adjustments		
Nova Scotia First Fund	(1,016,241)	(842,606)
Other	(257,816)	125,939
Non-controlling interest in subsidiary's net loss (Note 13)	132,512	287,143
	(1,459,509)	(826,648)
Loss before unusual item and discontinued operations	(2,230,149)	(1,868,300)
Unusual item (Note 13)	(455,911)	—
Loss before discontinued operations	(2,686,060)	(1,868,300)
Discontinued operations (Note 14)	15,258	176,658
Net loss	$ (2,670,802)	$ (1,691,642)
Deficit, beginning of year	$ (2,737,025)	$ (1,045,383)
Net loss	(2,670,802)	(1,691,642)
Deficit, end of year	$ (5,407,827)	$ (2,737,025)

See accompanying notes to the consolidated financial statements

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	$ (2,670,802)	$ (1,691,642)
Amortization	317,964	396,358
Deferred government assistance recognized	(100,577)	(141,368)
Nova Scotia First Fund net loss	1,016,241	842,606
Non-controlling interest in subsidiary's net loss	(132,512)	(287,143)
Loss on takeover	455,911	—
Loss (gain) on disposal of capital assets	10,564	(173,314)
Writedown of other investments	205,838	—
	(897,373)	(1,054,503)
Change in non-cash operating working capital (Note 15)	145,751	817,968
	(751,622)	(236,535)
Investing		
Proceeds from NSFF portfolio investments - net	649,250	246,251
Acquisition of NSFF investments - net	(649,250)	(246,251)
Advances from investees, net	—	81,544
Long term receivable	—	(214,850)
Long term receivable payments received	183,897	124,740
Capital and intangible asset purchases	(97,295)	(26,419)
Proceeds from disposal of capital assets	—	315,790
Lease inducement, net	(65,389)	(44,270)
	21,213	236,535
Financing		
Long term debt repayments	(53,943)	(41,485)
Deferred government assistance	88,306	25,400
Increase in equipment lease obligation	—	18,587
	34,363	2,502
(Decrease) increase in cash and cash equivalents	(696,046)	2,502
Cash and cash equivalents,		
Beginning of year	2,130,218	2,127,716
End of year	$ 1,434,172	$ 2,130,218

See accompanying notes to the consolidated financial statements

1. Authority

The Nova Scotia Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. InNOVAcorp is exempt from income tax under section 149 of the Income Tax Act.

2. Summary of significant accounting policies

InNOVAcorp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of InNOVAcorp, its wholly owned subsidiary, 1402998 Nova Scotia Limited (formerly Nova Magnetics Limited) and its 86% owned subsidiary, 3839966 Canada Limited (operating as The Decision Point).

b. Use of estimates

In preparing InNOVAcorp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

d. Inventory

Inventory is valued at the lower of cost or net realizable value.

e. Long term investments

Venture capital investments made through the Nova Scotia First Fund are carried at cost. InNOVAcorp does not have control over the investee companies, except in one case in which it does not intend to maintain this control position over the long term. Accordingly, the investment in this investee company is carried at its cost of $530,000 and the accounts are not consolidated. The following supplementary financial information related to this investee company for its latest reporting period of December 31, 2002 as audited by another firm of Chartered Accountants is as follows:

Current assets	$	335,610
Capital assets		407,526
Total assets		743,136
Current liabilities		79,121
Long term liabilities		806,045
Total liabilities		885,166
Capital stock		3
Deficit		(142,033)
Carrying value of net identifiable assets	$	(142,030)
Total revenues	$	992,421
Total expenses		917,685
Net earnings	$	74,736
Financial commitments per annum Leased office space	$	23,565

Where management has determined a decline in value that is considered to be other than temporary, these investments are written down to provide for the loss. Fixed income investments of the Nova Scotia First Fund terms to maturity greater than ninety days are recorded at cost plus accrued interest.

f. Capital assets

The cost of capital assets is being depreciated over the estimated lives of the assets using the following rates:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
Furniture and fixtures	20%	declining balance
Site improvements	8%	declining balance
Management Information Systems	10%	straight line
Leased equipment	25%	straight line

g. Donated assets

The donation of assets to InNOVAcorp is considered a capital contribution. These assets are recorded at their fair market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are charged to income over their estimated economic life as described in Note 2(f) above.

h. Government contributions

Government contributions used for the acquisition of property, plant and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

i. Translation of foreign currencies

Current assets, current liabilities, long term monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occurred. Translation gains and losses are included in earnings except for unrealized gains and losses arising from translation of long term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items.

j. Lease inducements

Amounts paid to tenants to renovate premises are recorded as deferred lease inducement and amortized over the life of the lease.

k. Financial instruments

InNOVAcorp's financial instruments consist of cash, receivables, investments and funds, payables and long term debt. It is management's opinion that InNOVAcorp is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair value of these financial instruments approximates their carrying value.

3. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, InNOVAcorp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Fund Obligations	Valuation Adjustment	Fund Balance
Beginning, Balance	$ 5,652,918	$ 8,534,166	$ (225,000)	$ (4,568,969)	$ 9,393,115
Add (Deduct):					
Equity investments	(649,250)	649,250	—	—	—
Income	149,913	—	—	(1,166,154)	(1,016,241)
Repayments	(225,000)	—	225,000	—	—
Ending Balance	$ 4,928,581	$ 9,183,416	$ —	$ (5,735,123)	$ 8,376,874

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred.

In addition to the above investments and obligations, as at March 31, 2003 there were $295,000 of approved commitments for the NSFF (2002 - $706,250).

InNOVAcorp and TARA (Telecom Applications Research Alliance) entered into a $2 million investment alliance agreement (InNOVAcorp share $1 million) to support emerging information technology (IT) companies. This strategic alliance provides capital to IT companies with high growth potential and is targeted at early-stage companies seeking $100,000 to $300,000 in venture financing. A subcommittee of representatives from both organizations manages the joint venture. At March 31, 2003, $1,000,000 (InNOVAcorp share - $500,000) has been placed under this agreement.

Fund investments include $325,000 invested in a company which has commenced an action against a customer for patent infringement. The recovery of this investment is dependent on the success of the legal proceedings which are not determinable at this time.

As at April 1, 2003, the Province of Nova Scotia has committed an additional $8 million investment in the Nova Scotia First Fund which is not reflected in these financial statements.

4. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

5. Other Investments

	2003	2002
Applied Microelectronics Incorporated - 490,000 3%, non-cumulative preferred shares	$ 490,000	$ 490,000
Immune Network Ltd. 1,248,436 common shares	2,752	84,141
PlantSelect Biotechnology Systems Limited		
20,000 common shares	—	29,744
Preferred shares	—	94,705
Produxys Solutions Inc. 1,000 common shares	10,000	10,000
	$ 502,752	$ 708,590

Immune Network Ltd. and Plant Select Biotechnology Systems Limited investments were written down during the year to reflect their estimated net realizable value.

6. Receivables

	2003	2002
Loan receivable	$ 81,500	$ 176,750
Leases receivable	242,828	354,837
	324,328	531,587
Current portion	14,668	38,030
	$ 309,660	$ 493,557

The loan is receivable in quarterly instalments, with interest at a rate of 9.65% per annum. The final instalment is due October 31, 2004.

InNOVAcorp leases equipment under agreements with terms of three to eight years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

7. Capital assets

	Cost	Accumulated Amortization	2003 Carrying Value	2002 Carrying Value
Land	$ 350,700	$ —	$ 350,700	$ 350,700
Buildings	5,972,358	1,473,489	4,498,869	4,639,534
Machinery, equipment and leased equipment	942,331	704,324	238,007	294,294
Computer equipment	595,906	509,387	86,519	134,806
Furniture and fixtures	213,289	135,340	77,949	56,347
Management information system	146,474	101,919	44,555	60,467
	$ 8,221,058	$ 2,924,459	$ 5,296,599	$ 5,536,148

8. Intangible assets

	Cost	Accumulated Amortization	2003 Carrying Value	2002 Carrying Value
Intellectual property	2	—	2	—
Incorporation costs	10,601	1,268	9,333	1,019
	$ 10,603	$ 1,268	$ 9,335	$ 1,019

During the year, The Decision Point purchased intellectual property at its carrying value from related parties in exchange for common shares. Legal fees associated with the transaction of $9,582 have been capitalized as incorporation costs and will be amortized to income over five years.

9. Deferred lease inducements

	2003	2002
Lease inducement	$ 135,600	$ 51,265
Accumulated amortization	(11,791)	—
	123,809	51,265
Less: current portion	14,150	6,995
	$ 109,659	$ 44,270

10. Long term debt

	2003	2002
Nova Scotia Business Inc. (NSBI)	$ 72,118	$ 97,390
Long term service award	243,858	267,982
Equipment lease obligation	10,177	14,724
Payable to shareholders	81,544	81,544
	407,697	461,640
Less: Current portion	31,468	29,265
	$ 376,229	$ 432,375

The 5.5% loan payable to NSBI, a party related by virtue of common ownership with the Province of Nova Scotia, is repayable in monthly principal instalments of $2,500 to 2005.

The 10.8% office equipment lease obligation is repayable in monthly principal instalments of $479 to 2005.

Principal repayments for the NSBI loan and equipment lease obligation for the next three years years are as follows:

2004	$ 31,467
2005	$ 33,524
2006	$ 17,304

Payable to shareholders
The amounts advanced from minority shareholders of an 86% owned subsidiary are non-interest bearing, with no set terms of repayment.

Long Term Service Award
Employees of the Corporation are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the award earned by the employees during the period.

11. Capital stock and contributed surplus

	2003	2002
Capital stock		
Class A Common Shares, par value $1	$ 75	$ 75
Principal Share, par value $1	1	1
	76	76
Contributed surplus		
Nova Scotia First Fund	11,110,791	11,110,791
Nova Scotia Research Foundation Corporation	7,509,888	7,509,888
Applied Microelectronics Incorporated (Note 5)	490,000	490,000
	19,110,679	19,110,679
	$ 19,110,755	$ 19,110,755

12. Government contributions

InNOVAcorp receives an annual grant from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations and acquisition of capital assets.

Funding related to the acquisition of capital assets is deferred as disclosed in note 2(h).

Details of funding for the year are as follows:

	2003	2002
Contributions received - Province of Nova Scotia	$ 2,194,900	$ 2,218,000
Contributions used to finance capital assets	(88,306)	(25,400)
Amortization of capital contributions	100,577	141,368
	12,271	115,968
Net contributions - Province of Nova Scotia	$ 2,207,171	$ 2,333,968

Also included in Mentoring revenue are the following government contributions:

	2003	2002
Government of Canada		
National Research Council Canada		
Industrial Research Assistance Program	$ 485,000	$ 474,000
Province of Nova Scotia		
Office of Economic Development	300,000	—
	$ 785,000	$ 474,000

13. Unusual items - non-controlling interest

	2003	2002
Opening non-controlling interest	$ 323,399	$ —
Proportion of losses up to date of agreement	132,512	—
Total loss on takeover	$ 455,911	—

On December 18, 2002, The Decision Point issued an additional 700,000 shares to InNOVAcorp, the minority partners and an additional investor in exchange for intellectual property. This share issue decreased InNovacorp's ownershup interest from 80% to 69%.

On March 31,2003, an additional 818,000 shares were issued to InNOVAcorp, increasing its ownership to 86%.

As a result of these transactions, a new shareholders' agreement was signed which does not require a guarantee or obligation by the minority parties for their share of The Decision Point's loss. Accordingly, 100% of its losses are reported in InNOVAcorp's financial statements.

14. Discontinued operations

	2003	2002
Sale of Environmental Simulation Lab		
Net (loss) earnings for the year	$ (1,547)	$ 14,750
Gain on disposal of assets	—	148,387
	(1,547)	163,137
Sale of Nova Magnetics Limited		
Net loss for the year	(13,711)	(11,054)
Gain on disposal of assets	—	24,575
	(13,711)	13,521
	$ (15,258)	$ 176,658
Revenues excluded from revenues and grants		
Nova Magnetics Limited	$ —	$ 368,893

These divisions were sold in 2001 and 2002.

The activity in these divisions related to costs associated with seconded employees from these divisions.

15. Supplemental cash flow information

	2003	2002
Change in non-cash operating working capital		
Deferred charges	$ ---	$ 118,473
Receivables	209,899	606,505
Inventories	(559)	148,155
Payables and accruals	(180,187)	(234,417)
Payable to Province of Nova Scotia	117,261	160,597
Deferred revenue	(663)	18,655
	$ 145,751	$ 817,968

16. Public Service Superannuation Fund

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the expenses of InNOVAcorp's divisions.

The Department of Finance administers the Public Service Superannuation Fund. InNOVAcorp is not responsible for any unfunded liability.

17. Related party transactions

Entity	Relationship	Revenues Generated	Year End Receivable
PlantSelect Biotechnology Systems Limited	50% investee	$ 4,290	$ 359,224
BioScience Enterprise Centre	Managed Incubator	64,930	38,980
NSFF Investments	Investments	48,504	292,922

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost.

Sales to NSFF investors are at the same prices and terms as with unrelated parties.

InNOVAcorp has the use of the Technology Innovation Centre, which is owned by the Province of Nova Scotia, at no cost.

During the year InNOVAcorp paid $4,360 in interest to NSBI, a party related by common ownership with the Province of Nova Scotia.

18. Comparative Figures

Certain of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

AUDITOR'S REPORT

To the Minister of Justice; and

To the Chair and Members of the
Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 2003, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 23, 2003

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Revenue and Expenses
Year Ended March 31, 2003

	2003	2002
Revenue		
Grants - Province of Nova Scotia	$ 12,655,871	$ 12,525,939
Interest	117,281	191,803
Other income	107,274	125,523
	12,880,426	12,843,265
Expenses		
Amortization	221,681	138,902
Capital lease interest	—	697
Directors' fees	8,400	21,378
Equipment and maintenance	90,237	80,707
Library	166,193	160,907
Membership, meetings and conferences	179,289	202,091
Office disbursements	257,947	253,757
Private solicitors' fees (Note 6)	2,133,985	2,096,444
Professional and other fees	144,648	187,822
Salaries and benefits	8,874,465	8,758,048
Supplies and services	948,491	964,455
Travel	152,833	128,103
	13,178,169	12,993,311
Deficiency of revenue over expenses before special cases and unusual items	(297,743)	(150,046)
Special cases (Note 7)		
Contribution from the Province of Nova Scotia	257,426	343,533
Contributions from clients	17,910	15,194
	275,336	358,727
Expenses, special cases	275,336	358,727
	—	—
Deficiency of revenue over expenses before unusual items	(297,743)	(150,046)
Unusual items (Note 15)	—	227,129
(Deficiency) excess of revenue over expenses	$ (297,743)	$ 77,083

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash and cash equivalents	$ 1,674,286	$ —
Investments	2,161,446	3,999,576
Receivables	80,088	337,509
Prepaids	29,685	22,620
	3,945,505	4,359,705
Trust Fund - long service awards (Note 3)	1,563,638	1,425,108
Capital assets (Note 4)	438,177	561,799
	$ 5,947,320	$ 6,346,612

LIABILITIES

	2003	2002
Current		
Bank indebtedness	$ —	$ 321,939
Payables and accruals (Notes 5 and 6)	1,442,248	1,768,650
Deferred contribution - special cases (Note 7)	784,931	524,698
	2,227,179	2,615,287
Long term		
Long service awards (Note 8)	1,563,638	1,425,108
	1,563,638	1,425,108
Deferred contributions - capital assets (Note 9)	697,209	549,180
	4,488,026	4,589,575
Net Assets		
Unrestricted net assets	428,484	917,604
Reserve for capital asset expenditures (Note 10)	150,000	—
Net assets invested in capital assets (Page 330)	194,921	157,208
Reserve for future case completion (Page 330 & Note 10)	685,889	682,225
	1,459,294	1,757,037
	$ 5,947,320	$ 6,346,612

Commitment and contingencies (Note 11)

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Changes in Net Assets
Year Ended March 31, 2003

	Unrestricted Net Assets	Reserve for Capital Asset Expenditures	Net Assets Invested in Capital Assets	Reserve for Future Case Completion	2003 Total	2002 Total
Balance, beginning of year	$ 917,604	$ —	$ 157,208	$ 682,225	$ 1,757,037	$ 1,679,954
(Deficiency) excess of revenue over expenses	(297,743)	—	—	—	(297,743)	77,083
Purchase of capital assets	(87,023)	—	87,023	—	—	—
Amortization, net	49,310	—	(49,310)	—	—	—
Transfer to reserve for capital asset expenditures	(150,000)	150,000	—	—	—	—
Transfer to reserve for future case completion	(3,664)	—	—	3,664	—	—
Balance, end of year	$ 428,484	$ 150,000	$ 194,921	$ 685,889	$ 1,459,294	$ 1,757,037

See accompanying notes to the financial statements

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
(Deficiency) excess of revenue over expenses	$ (297,743)	$ 77,083
Amortization	221,681	138,902
Amortization of deferred contributions - capital	(172,371)	(113,622)
	(248,433)	102,363
Change in non-cash operating working capital (Note 13)	(76,046)	446,020
	(324,479)	548,383
Financing		
Principal repayments of capital lease	—	(13,065)
Decrease in early retirement incentive program	—	(178,372)
Advances for special cases, net	260,233	56,466
Advances for capital asset purchases	320,400	—
	580,633	(134,971)
Investing		
Decrease (increase) in investments	1,838,130	(1,302,662)
Purchase of capital assets	(98,059)	(518,751)
	1,740,071	(1,821,413)
Net increase (decrease) in cash and cash equivalents	1,996,225	(1,408,001)
Cash and cash equivalents,		
Beginning of year	(321,939)	1,086,062
End of year	$ 1,674,286	$ (321,939)

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Notes to the Financial Statements
March 31, 2003

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Summary of significant accounting policies

Revenue
Operating grants are recorded on the accrual basis.

Contributions from the Province of Nova Scotia for the acquisition of capital assets are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each capital asset acquired.

Capital assets
Capital assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and balances with banks.

Special cases
Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of revenue and expenses.

Investments
Investments consist of banker acceptance notes and are valued at cost, which approximates market value. These banker acceptance notes bear interest in a range of 2.40% to 2.65% and mature between 30 and 42 days after year-end.

Financial instruments
The Commission's financial instruments consist of cash and cash equivalents, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash and cash equivalents, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

3. Trust Fund - long service awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with fifteen years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. To date, six employees have received advances. Advances plus accrued interest at March 31, 2003 totalled $148,947 (2002 - $147,237).

	2003	2002
Balance, beginning of year	$ 1,425,108	$ 1,163,900
Add: Contribution from operating funds	74,815	68,842
Outstanding year end contribution	26,007	149,742
Interest on long service award advances	7,190	7,450
Interest on investments	30,518	35,174
	138,530	261,208
Less: Long service awards paid to retiring employees	—	—
Balance, end of year	$ 1,563,638	$ 1,425,108
Consisting of:		
Cash	$ (2,166)	$ 79,335
Investments and accrued interest on investments	1,390,850	1,048,794
Receivable - long service award advances and accrued interest on advances	148,947	147,237
Contribution due from operating funds	26,007	149,742
	$ 1,563,638	$ 1,425,108

4. Capital assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Computer equipment	$ 615,932	$ 354,152	$ 261,780	$ 412,661
Furniture and equipment	134,795	24,003	110,792	76,379
Leasehold improvements	140,387	74,782	65,605	72,759
	$ 891,114	$ 452,937	$ 438,177	$ 561,799

5. Accounts payable and accruals

	2003	2002
Supplies and services	$ 119,943	$ 247,825
Accrued private solicitors' fees (Note 6)	1,228,530	1,136,623
Employee salaries and benefits	93,775	384,202
	$ 1,442,248	$ 1,768,650

6. Measurement uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2003, a liability of $1,228,530 (2002 - $1,136,623) was recorded, of which $1,050,157 (2002 - $886,436) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

7. Deferred contribution - special cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

8. Long service awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2003, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2003, the long service award trust funds of $1,563,638 (2002-$1,425,108) are sufficient to fund the liability.

9. Deferred contributions - capital assets

In the 1999 fiscal year the Province of Nova Scotia contributed $353,000 to the Commission to offset anticipated costs of upgrading the Commission's computer systems. A further $400,000 was contributed in 2001 and $320,400 in the 2003 fiscal year. The changes in the deferred contributions balance for the period are as follows:

	2003	2002
Balance, beginning of year	$ 549,180	$ 662,802
Less: amounts amortized to revenue	(172,371)	(113,622)
Plus: contributions received	320,400	---
Balance, end of year	$ 697,209	$ 549,180

10. Reserves

Reserve for future case completion
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2003.

Reserve for capital expenditures
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the future capital expenditures that will be required to upgrade its management information systems.

11. Commitments and contingencies

a. The Commission has entered into lease agreements for ten of its offices. The remaining three offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five years, not including operating costs and taxes, are as follows:

2004	545,976
2005	545,976
2006	435,315
2007	247,098
2008	209,357

b. The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of $69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2004.

c. The Commission has been named a defendant in an action. As of the audit report date, the outcome of this claims is not determinable, and accordingly, no provision has been made for it in the financial statements.

12. Client Trust Funds

On March 31, 2003, $2,354 (2002 - $12,902) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

13. Supplemental cash flow information

	2003	2002
Change in non cash operating working capital:		
Receivables	$ 257,421	$ (41,845)
Prepaids	(7,065)	7,443
Payables and accruals	(326,402)	480,422
	$ (76,046)	$ 446,020
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 1,674,286	$ (321,939)
Interest paid	$ ---	$ 697

14. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

15. Unusual items

	2003	2002
Recovery of HST	$ ---	$ 35,850
Elimination of Early Retirement Incentive Plan liability	---	191,279
	$ ---	$ 227,129

NOVA SCOTIA LEGAL AID COMMISSION

Schedule of Expenses
Year Ended March 31, 2003

	2003		2002
	Budget	**Actual**	**Actual**
Amortization	$ —	$ 221,681	$ 138,902
Capital lease interest	—	—	697
Directors' fees	45,000	8,400	21,378
Equipment and maintenance			
Leasehold improvements	26,400	10,678	5,168
Office furniture and equipment	41,000	17,278	21,254
Office machine leasing	48,000	34,808	34,057
Office machine maintenance	36,700	27,473	20,228
	152,100	90,237	80,707
Library	160,000	166,193	160,907
Membership, meetings and conferences			
Membership and dues	130,000	108,240	124,223
Meetings and conferences	60,000	71,049	77,868
	190,000	179,289	202,091
Office disbursements			
Civil and family	150,000	117,407	91,798
Criminal	150,000	129,717	155,595
Young Offender	22,000	10,823	6,364
	322,000	257,947	253,757
Private solicitors' fees			
Civil and family - conflicts	1,003,400	1,059,339	1,052,746
Criminal - choice of counsel	170,000	201,744	86,082
Criminal - conflicts	586,800	679,653	780,412
Young offender - choice of counsel	—	4,149	8,995
Young offender - conflicts	150,000	189,100	168,209
	1,910,200	2,133,985	2,096,444
Professional and other fees			
Professional fees	129,700	137,778	166,121
Consultant fees	—	6,870	21,701
	129,700	144,648	187,822
Salaries and benefits	8,872,700	8,874,465	8,758,048
Supplies and services			
General cleaning and office expense	69,500	56,319	65,915
Heat, light and water	27,000	20,992	22,569
Miscellaneous	1,000	1,511	2,594
Printing and stationery	90,000	90,663	97,239
Rent, insurance and taxes	628,600	580,326	584,184
Telephone and postage	215,000	198,680	191,954
	1,031,100	948,491	964,455
Travel	156,400	152,833	128,103
	$ 12,969,200	$ 13,178,169	$ 12,993,311

AUDITORS' REPORT

To the Honourable Minister
in Charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor Corporation as at March 31, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Nova Scotia Liquor Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 13, 2003

THE NOVA SCOTIA LIQUOR CORPORATION

Balance Sheet
March 31, 2003, with comparative figures for 2002

ASSETS

	2003	2002
	(in thousands)	
Current assets:		
Cash	$ 6,756	$ 10,733
Accounts receivable	2,287	2,457
Inventories of stock in warehouse and stores	26,815	19,516
Prepaid expenses	2,150	53
	38,008	32,759
Property and equipment:		
Furniture, fixtures and portable equipment	6,125	6,259
Other equipment	7,288	7,139
Computers	7,191	6,295
Land and buildings	12,809	12,330
Capital and leasehold improvements	25,562	24,719
	58,975	56,742
Less accumulated depreciation	47,488	44,239
	11,487	12,503
Assets under capital lease	10,831	10,831
Less accumulated amortization	9,420	8,888
	1,411	1,943
	$ 50,906	$ 47,205

LIABILITIES AND RETAINED EARNINGS

	2003	2002
Current liabilities:		
Accounts payable and accrued liabilities	$ 19,276	$ 19,332
Current portion of obligations under capital leases (note 3)	486	423
	19,762	19,755
Due to Minister of Finance	9,874	6,408
Obligation under capital lease (note 3)	7,250	7,737
Employee future benefit obligations (note 4)	14,020	13,305
	$ 50,906	$ 47,205

Operating leases (Note 5)

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Statement of Earnings and Retained Earnings
Year ended March 31, 2003, with comparative figures for 2002

	2003 (in thousands)	% of Sales	2002 (in thousands)	% of Sales
Net sales	$ 412,380	100.0	$ 391,427	100.0
Cost of goods sold	202,806	49.2	197,563	50.5
	209,574	50.8	193,864	49.5
Stores' operating expenses	36,001	8.7	34,737	8.9
Income, store operations	173,573	42.1	159,127	40.6
Depreciation and amortization	3,787	0.9	3,432	0.9
Warehousing and distribution expenses	4,090	1.0	4,217	1.1
Administrative expenses (note 6)	9,195	2.2	8,609	2.2
Other revenue	(4,243)	(1.0)	(3,695)	(1.0)
Other expenses	2,878	0.7	2,650	0.7
	15,707	3.8	15,213	3.9
Earnings before unusual item	157,866	38.3	143,914	36.7
Early retirement program	—	0.0	56	0.0
Earnings from operations	157,866	38.3	143,858	36.7
Retained earnings, beginning of year:				
As previously reported	—		—	
Change in accounting policy (note 2)	—		(12,702)	
As restated	—		(12,702)	
Distributions made or to be made	(157,866)		(131,156)	
Retained earnings, end of year	$ —		$ —	

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
	(in thousands)	
Cash provided by (used in):		
Operations:		
Earnings from operations	$ 157,866	$ 143,858
Items not involving cash:		
Depreciation and amortization	3,787	3,432
Loss on sale of property and equipment	—	3
Increase in employee future benefit obligations	715	603
Change in non-cash operating working capital	(9,282)	(1,061)
	153,086	146,835
Financing:		
Principal payments on obligations under capital lease	(424)	(368)
Investments:		
Additions to property and equipment	(2,239)	(2,719)
Proceeds on disposal of property and equipment	—	9
	(2,239)	(2,710)
Other:		
Remittances to Minister of Finance	(154,400)	(141,600)
Increase (decrease) in cash	(3,977)	2,157
Cash, beginning of year	10,733	8,576
Cash, end of year	$ 6,756	$ 10,733

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Notes to Financial Statements
Year ended March 31, 2003

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989, and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate.

1. Significant accounting policies:

(a) Inventories:

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

(b) Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

Asset	**Rate**
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone	33%
Computers - integrated systems	20%
Land and buildings	4%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are depreciated due to the retention of proceeds by the Province of Nova Scotia.

(c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

(d) Employee future benefits:

The Corporation has a defined benefit retirement award plan covering substantially all of its permanent employees. The benefits are based on years of service and the employee's compensation during the final year of employement. The cost of this program is being funded currently.

The Corporation also pays a portion of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The Corporation measures the costs of its obligation based on its best estimate. The cost of this program is being funded currently.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies:

- The cost of pension benefits is the responsibility of the Province of Nova Scotia. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia. Accordingly no provision is included in the Corporation's financial statements for pension related amounts;

- The cost of other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs; and

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 15 years (2002 - 14 years).

2. Change in accounting policy:

Effective for fiscal years beginning on or after January 1, 2000, the CICA revised its existing standard for pensions and developed new accounting standards for employee benefits other than pensions. During 2003 the Corporation has adopted the revised standards for its two defined benefit plans. The changes have been applied retroactively and have increased the deficiency at March 31, 2001 as previously reported by $12,702.

3. Obligation under capital lease:

The Nova Scotia Liquor Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The following is a schedule by years of future minimum lease payments together with the balance of the obligation under capital lease as of March 31, 2003:

2004	$	1,537
2005		1,536
2006		1,537
2007		1,536
2008		1,537
2009-2012		5,761
Total minimum lease payments		13,444
Less amount representing interest		5,708
Balance of obligation		7,736
Less current portion of obligation under capital lease		486
	$	7,250

4. Employee future benefits:

The Corporation has two defined benefit plans as described in note 1 (d).

Information about the Corporation's defined benefit plans, in aggregate, is as follows:

	2003	2002
Accrued benefit obligation:		
Balance, beginning of year	$ 12,455	$ 11,852
Current service cost	592	492
Interest cost	895	838
Benefits paid	(795)	(727)
Actuarial Losses	1,856	—
Balance, end of year, and funded status - deficit	15,003	12,455
Unamortized net actuarial gain (loss)	(983)	850
Accrued benefit liability	$ 14,020	$ 13,305

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2003	2002
Discount rate	6.17%	7.05%
Rate of compensation increase	2.50%	4.50%

The assumed health care cost trend rate at April 1, 2003 was 11%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was $1,510 (2002 - $1,487).

5. Operating leases:

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2003 and 2012. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2003:

2004	$ 2,953
2005	2,427
2006	1,771
2007	1,340
2008	693
2009-2012	953
Total minimum payments required	$ 10,137

6. Administrative expenses:

Administrative expenses also include the following:

	2003	2001
	(in thousands)	
Interest on obligation under capital lease	$ 1,113	$ 1,168

AUDITORS' REPORT

To the Directors of
Nova Scotia Municipal Finance Corporation

We have audited the balance sheet of Nova Scotia Municipal Finance Corporation as at March 31, 2003 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scoia
April 25, 2003

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
CURRENT ASSETS:		
Cash	$ 129,883	$ 59,386
Short-term investments, at amortized cost (market - $5,461,055; 2002 - $4,485,000)	5,461,055	4,485,000
Accrued interest receivable	10,371,094	11,193,335
Other receivables	1,904	2,271
Principal due within one year on loans to units	63,054,835	94,534,811
	79,018,771	110,274,803
LONG-TERM ASSETS:		
Loans to units (note 3)	482,888,121	481,799,110
Less principal included in current assets	63,054,835	94,534,811
	419,833,286	387,264,299
Investments, at amortized cost (market - 2002 - $540,096)	---	586,711
	419,833,286	387,851,010
DEFERRED CHARGES:		
Discount on debenture debt	2,562,324	2,600,982
Less accumulated amortization	1,592,606	1,643,729
	969,718	957,253
	$ 499,821,775	$ 499,083,066
TRUST FUND ASSETS (note 4)	$ ---	$ 23,715,763

LIABILITIES AND EQUITY

	2003	2002
CURRENT LIABILITIES:		
Accounts payable	$ 47,199	$ 66,105
Due to municipal units	1,175,055	
Accrued interest payable	10,344,853	11,180,577
Principal due within one year on debenture debt	62,965,496	95,335,750
	74,532,603	106,582,432
Accrued public service awards (note 10)	42,573	24,773
LONG-TERM DEBT		
Debentures payable (note 5)	482,460,750	482,172,500
Less principal included in current liabilities	62,965,496	95,335,750
	419,495,254	386,836,750
DEFERRED CREDITS		
Discount on loans to units	2,557,525	2,591,283
Less accumulated amortization	1,593,637	1,635,701
	963,888	955,582
EQUITY		
Reserve fund	4,787,457	4,683,529
	$ 499,821,775	$ 499,083,066
Trust funds under administration (note 4)	$ ---	$ 23,715,763

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Revenue, Expenditure and Reserve Fund
Year Ended March 31, 2003

	2003	2002
REVENUE		
Interest on loans to units	$ 30,454,163	$ 33,320,142
Amortization of discount on loans to units	250,185	237,849
Interest on short-term investments	147,069	247,408
Current discount on loans to units	609,014	315,032
	31,460,431	34,120,431
EXPENITURE		
Interest on debenture debt and short term loans	30,442,061	33,372,259
Amortization of discount on debenture debt	252,257	251,604
Debenture issue expenses	373,221	198,942
Administrative expenses (Note 6)	288,964	272,392
	31,356,503	34,095,197
NET REVENUE	103,928	25,234
RESERVE FUND, BEGINNING OF YEAR	4,683,529	4,658,295
RESERVE FUND, END OF YEAR	$ 4,787,457	$ 4,683,529

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Cash Flows
Year ended March 31, 2003

	2003	2002
Cash provided by (used for)		
Operations		
Net revenue	$ 103,928	$ 25,234
Add (deduct) items not involving cash		
Amortization of discount on loans to units	(250,185)	(237,849)
Amortization of discount on debenture debt	252,257	251,604
Amortization of premiums on investments	(22,140)	(45,124)
Change in non-cash working capital (Note 9)	(32,022)	26,325
Increase in accrued public service awards	17,800	24,773
	69,638	44,963
Investments		
Issued loans of $95,623,822 to units on security of debentures, net of discounts of $258,491 (2002 - $49,921,802 net of discounts of $183,938)	(95,365,331)	(49,737,864)
Principal received on loans to units	94,534,811	68,328,704
Principal due to municipal units	1,175,055	---
Principal received on maturing investments	608,851	231,963
	953,386	18,822,803
Financing		
Issue of debentures of $95,624,000, net of Discounts of $264,722 (2002 - 49,924,000 net of discounts of $183,938)	95,359,278	49,740,062
Principal payment on debenture debt	95,335,750	(69,064,750)
	23,528	(19,324,688)
INCREASE (DECREASE) IN CASH	1,046,552	(456,922)
CASH POSITION, BEGINNING OF YEAR	4,544,386	5,001,308
CASH POSITION, END OF YEAR	$ 5,590,938	$ 4,544,386

Cash position is defined as cash and short-term investments less bank indebtedness.

See accompanying notes to financial statements.

Notes to the Financial Statements
Year ended March 31, 2002

The Corporation was created by the Municipal Corporation Act which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1. Summary of significant accounting policies

a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

2. Fair values of financial instruments

Financial assets and financial liabilities:
The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements.

The fair values of the Corporation's loans to units and debentures payable fluctuate with changes in current lending rates. The Corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As the Corporation normally holds the debentures to muturity, book values of the investments and debentures have not been adjusted to reflect differences.

3. Loans to units

a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 12.5%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

b) Principal payments receivable in each of the next five years are as follows:

2004	$ 63,054,835
2005	63,426,011
2006	63,060,693
2007	60,558,087
2008	57,145,462

4. Trust funds under administration

Trust fund assets totalling $25,859,653 (2002 - $23,715,763) were paid out on May 13, 2002 that were held on behalf of certain provincial debt issued for school and hospital construction within debenture Series "AC". These funds represented sinking funds which were held by the Corporation to be applied to the repayment of outstanding debenture debt Series "AC" at maturity.

5. Debentures payable:

a) The debenture debt outstanding at March 31, 2003 totalling $482,460,750 (2002 -$482,172,500) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" which is a private placement.

Series		Date Issued	Maturity Date	Interest Rate	Debt Outstanding
N		Apr. 2/85	2002 to 2005	12.375-12.500	$ 2,110,000
AE		May 5/93	2003	8.500	3,900,000
AF		Nov. 18/93	2003	7.625	2,990,000
AG		July 13/94	2003 to 2004	9.250	5,450,000
AH		Dec. 8/94	2003 to 2004	9.625-9.750	9,280,000
AI	*	May 2/95	2003 to 2005	9.000-9.125	8,035,000
AJ		Nov. 14/95	2003 to 2005	8.000-8.125	12,770,000
AK	*	May 14/96	2003 to 2006	7.500-8.000	22,116,000
AL		Oct. 28/96	2003 to 2006	7.250-7.500	10,773,000
AM	*	May 12/97	2003 to 2007	6.750-7.000	32,378,000
AN	*	Oct. 17/97	2003 to 2007	5.750-6.250	25,986,000
AP	*	Jan. 30/98	2004 to 2019	5.500-6.125	38,863,000
AQ		May 15/98	2003 to 2008	5.250-5.500	25,212,000
AR	*	Dec.1/98	2003 to 2008	5.250-5.625	35,966,000
AS	*	May 17/99	2003 to 2009	5.000-5.375	29,968,000
AT		May 28/99	2003 to 2015	1.000	2,193,750
AU	*	Dec 22/99	2003 to 2009	6.500-6.750	31,060,000
AV	*	June 1/00	2003 to 2010	6.625-6.875	21,160,000
AW	*	Nov. 9/00	2003 to 2010	6.000-6.375	21,125,000
AX	*	May 29/01	2003 to 2011	5.000-6.250	27,899,000
AY	*	Nov. 7/01	2003 to 2011	3.625-6.000	17,602,000
AZ	*	May 15/02	2003 to 2012	3.375-6.125	52,957,000
BA	*	Nov. 7/02	2003 to 2017	3.250-6.000	31,667,000
BB	*	Jan. 9/03	2004 to 2023	5.913	11,000,000
					$ 482,460,750

* Placed directly with the Province of Nova Scotia

Interest is payable semi-annually, except Series "AT", which is payable annually.

b) Principal payments due in each of the next five years are as follows:

2004	$ 62,965,496
2005	63,381,012
2006	63,024,289
2007	60,285,723
2008	57,123,383

6. Administrative expenses

	2002/03 Budget	2002/03 Actual	2001/02 Actual
Salaries and benefits	$ 209,015	$ 215,124	$ 208,148
Travel	4,500	4,698	3,447
Equipment and maintenance	4,500	655	5,153
Printing	2,500	2,678	1,120
Postage	1,400	1,413	1,161
Telecommunications	4,700	3,966	2,932
Stationery and supplies	5,000	3,311	2,742
Professional services	23,000	23,005	21,255
Bank charges	3,900	3,197	2,703
Directors' fees and expenses	5,600	5,731	4,673
Professional development	7,300	7,010	5,525
Dues and subscriptions	1,765	1,835	1,425
Insurance	745	617	604
Other	500	724	504
Office rent	13,000	13,000	11,000
Client education.	2,000	2,000	---
	$ 289,425	$ 288,964	$ 272,392

7. Payment of Provincial portion of surplus to Province of Nova Scotia

In fiscal 1998-1999 the Corporation transferred $1,500,000 of the Reserve Fund to the Province of Nova Scotia. This amount represented the Province's share of the Reserve Fund. The basis for this calculation was the portion of total Nova Scotia Municipal Finance Corporation loans made since its inception that were made to schools and hospitals. In exchange for the $1,500,000 payment, the Province recognized the remainder of the Reserve as the Municipal portion.

8. Taxes

The corporation is not subject to provincial or federal taxes.

9. Change in non-cash working capital

	2003	2002
Accrued interest receivable	$ 822,241	$ 831,273
Other receivables	367	(616)
Accounts payable	(18,906)	29,261
Accrued interest payable	(835,724)	(833,593)
	$ (32,022)	$ 26,325

10. Public service awards

As at March 31, 2003, the Corporation has recorded a liability in the amount of $42,573 in respect of a provincial public service award for the three employees of the Corporation. The Corporation will fund the public service awards of its employees through future budgets. At December 6, 2002 Board of Directors' meeting, the Board passed a motion that future budgeted Public Service Award allocations would be sufficient enough to cover eligible employees in the year in which they retire.

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Police Commission

We have audited the balance sheet of the Nova Scotia Police Commission as at March 31, 2003 and the statements of operations and surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 21, 2003

NOVA SCOTIA POLICE COMMISSION

Statements of Operations and Surplus
Year Ended March 31, 2003

	2003	2002
Revenue		
Grant from the Province of Nova Scotia	$ 292,889	$ 293,000
Recovery of inquiry expenses (Note 6)	47,948	39,045
Interest and other revenue	2,515	1,820
	343,352	333,865
Expenses		
Commission		
Salaries, wages and benefits	158,832	156,893
Investigation services	47,934	46,203
Rent	28,190	30,685
Travel	11,398	17,786
Office supplies and services	7,752	7,701
Audit and legal	7,148	2,811
Printing and copying	4,366	2,237
Transcription	2,547	422
Telephone	2,366	2,398
Depreciation	2,094	1,410
Dues and fees	1,292	1,901
Equipment	1,023	881
Other expenses	555	1,300
Repairs and maintenance	314	584
	275,811	273,212
Review Board		
Salaries, wages and benefits	58,755	42,900
Travel	10,880	16,087
	69,635	58,987
	345,446	332,199
Operating (deficit) surplus	$ (2,094)	$ 1,666
Surplus, beginning of year	$ —	$ —
Operating (deficit) surplus	(2,094)	1,666
Transfer from (to) investment in capital assets for		
Depreciation	2,094	1,410
Capital asset acquisitions	—	(3,076)
	2,094	(1,666)
Surplus, end of year	$ —	$ —

See accompanying notes to the financial statements

NOVA SCOTIA POLICE COMMISSION

Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Current		
Cash	$ 8,803	$ 2,729
Prepaid	2,439	---
Accounts receivable	---	5,163
Due from the Province of Nova Scotia (Note 7)	9,579	8,708
	20,821	16,600
Capital assets	1,025	3,119
	$ 21,846	$ 19,719
LIABILITIES		
Current		
Payables and accruals	$ 20,821	$ 16,600
	20,821	16,600
SURPLUS		
Investment in capital assets (Note 3)	1,025	3,119
	$ 21,846	$ 19,719

Commitment (Note 5)

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

Statement of Capital Assets
Year Ended March 31, 2003

	Cost			Acummulated Depreciation			2003 Net Book Value	2002 Net Book Value
	Opening	Additons	Closing	Opening	Expense	Closing		
Computer equipment	$ 18,312	$ ---	$ 18,312	$ 15,503	$ 1,784	$ 17,287	$ 1,025	$ 2,809
Equipment	5,917	---	5,917	5,607	310	5,917	---	310
	$ 24,229	$ ---	$ 24,229	$ 21,110	$ 2,094	$ 23,204	$ 1,025	$ 3,119

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Operating (deficit) surplus	$ (2,094)	$ 1,666
Depreciation	2,094	1,410
	—	3,076
Change in non-cash operating working capital (Note 5)	6,074	(14,018)
	6,074	(10,942)
Investing		
Purchase of capital assets	—	(3,076)
Increase (decrease) in cash and cash equivalents	6,074	(14,018)
Cash and cash equivalents		
Beginning of year	2,729	16,747
End of year	$ 8,803	$ 2,729

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

Notes to the Financial Statements
March 31, 2003

1. Incorporation

The Nova Scotia Police Commission (the Commission) was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

2. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Capital assets
Capital assets purchased by the Commission with a value greater than $1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Equipment	5 years

Use of estimates
In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments
The Commission's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks.

3. Investment in capital assets

	2003	2002
Balance, beginning of year	$ 3,119	$ 1,453
Capital asset acquisitions	—	3,076
Depreciation	(2,094)	(1,410)
Balance, end of year	$ 1,025	$ 3,119

4. Pensions

The full time employees of the Commission are civil servants and as such are entitled, as Civil Servants, to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability.

5. Commitment

The Department of Transportation and Public Works of the Province of Nova Scotia sublets approximately 1,000 square feet of office space from the Nova Scotia Utility and Review Board on behalf of the Nova Scotia Police Commission. The sublet agreement expires October 31, 2005. The annual rental consists of a minimum base rent plus the Nova Scotia Police Commission share of common costs such as maintenance, power, water, and property taxes. The minimum rent payable covering the agreement period is as follows:

2004	$14,000
2005	8167

6. Supplementary cash flow information

Change in non-cash operating working capital

		2003		2002
Accounts receivable	$	5,163	$	(4,215)
Prepaid		(2,439)		---
Payables and accruals		4,221		5,161
Due to Province of Nova Scotia		(871)		(14,964)
	$	6,074	$	(14,018)

7. Related party transactions

The Nova Scotia Police Commission is an independent agency of the Province of Nova Scotia. Funding for the Commission is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the commission is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

		2003		2002
Grant from the Province of Nova Scotia	$	292,889	$	293,000
Accounts receivable		---		5,087
Due (to) from the Province of Nova Scotia		9,579		8,708
Surplus - Investment in capital assets		1,025		3,119

To minimize cost to government while preserving the independence of the Commission, some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Commission. Effective April 1, 2003, administrative support services will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia. In future, financial results of the Commission will be included in the Public Accounts of the Department of Justice of the Province of Nova Scotia.

Transactions with the NSUARB by financial statement category are as follows:

		2003		2002
Payables and accruals	$	847	$	551
Rent expense		24,570		26,895

8. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year presentation.

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Finance Corporation

We have audited the statement of outstanding debt and defeasance assets of Nova Scotia Power Finance Corporation as at March 31, 2003 and the statement of debt cash flows and funding for the year then ended. This financial information is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial information.

In our opinion, these statements present fairly, in all material respects, the outstanding debt and defeasance assets of the Corporation as at March 31, 2003 and the debt cash flows and funding for the year then ended in accordance with the basis of accounting disclosed in Note 2.

Deloitte & Touche LLP
Chartered Accountants

May 21, 2003

NOVA SCOTIA POWER FINANCE CORPORATION

Statement of Outstanding Debt and Defeasance Assets
as at March 31, 2003

	2003	2002 (in thousands)
DEBT (Schedule 1)		
Par Value	$ 1,140,790	$ 1,178,050
Adjustments to market value	534,358	440,826
	1,675,148	1,618,876
Principal and coupon payments reacquired	(1,124,007)	(1,065,840)
Outstanding debt at market value	551,141	553,036
Defeasance Assets (Note 3)		
Cash	$ 10,467	$ 13,969
Governmet and government guaranteed securities	592,253	592,458
Defeasance assets at market value	$ 602,720	$ 606,427

Statement of Debt Cash Flows and Funding
year ended March 31, 2003

	2003	2002 (in thousands)
Debt payments		
Interest	$ (58,870)	$ (64,489)
Principal retirements (net of amounts reacquired)	—	(24,611)
	(58,870)	(89,100)
Funding from investment revenues and maturities	55,368	93,521
Change in cash balance for the year	(3,502)	4,421
Cash, beginning of year	13,969	9,548
Cash, end of year	$ 10,467	$ 13,969

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Statements
March 31, 2003

1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia (the "Province) passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds to Nova Scotia Power Inc. (NSPI) in exchange for:

a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b) 20,134,666 fully paid common shares of NSPI, issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC) which continued to hold the long-term debt and sinking fund assets and the matching notes receivables and notes payables.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as difined in the Debt Restructuring Agreement.

2. BASIS OF PRESENTATION

Debt and defeasancce assets are reported at estimated market values.

3. DEFEASANCE ASSETS

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by The Royal Trust Company. All assets are held in securities issued or guaranteed by the Federal or Provincial Governments.

Included in defeasance assets is $41 million denominated in U.S. dollars ($60 million Canadian).

The estimated cash inflows generated from investment income on and maturities of the assets held exceed the estimated cash outflows on debt interest and principal repayments by approximately $6 million.

4. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, $161,025 (2002-$145,115) of such costs were paid by NSPI.

SCHEDULE 1

NOVA SCOTIA POWER FINANCE CORPORATION

Outstanding Debt
as at March 31, 2003

(in thousands)

Series	Date of Maturity	Maturiy Date	Rate	Par Value	Market Value	Principal And Coupon Payments Reacquired	Outstanding Balance at Market Value
Debentures							
AH	November 15, 2012	November 15, 2012	10.875%	$ 150,000	$ 208,402		
AJ	April 27, 2014	April 27, 2014	11.25%	200,000	291,446		
AK	January 10, 2020	January 10, 2020	10.25%	150,000	216,893		
AM	February 26, 2031	February 26, 2031	11.00%	200,000	328,910		
AN	April 1, 2021 (US) (1)	April 1, 2021	9.4%	440,790	629,497		
Total				$ 1,140,790	$ 1,675,148	$ (1,124,007)	$ 551,141

(1) Amounts payable in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements ($300,000,000 US$ converted @ 1.4693 as of March 31, 2003).

AUDITOR'S REPORT

To the Minister of Natural Resources; and

To the Chair and Members of the
Nova Scotia Primary Forest Products
Marketing Board

I have audited the statement of financial position of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2003 and the statements of revenues, expenses and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 27, 2003

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Financial Position
as at March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 200	$ 200
Due from processors	49,641	32,913
Due from Province of Nova Scotia	608,299	626,699
	$ 658,140	$ 659,812

LIABILITIES AND FUND BALANCE

	2003	2002
Current		
Accounts payable	$ 1,875	$ 1,500
Due to bargaining agents	29,990	17,980
	31,865	19,480
Fund Balance	626,275	640,332
	$ 658,140	$ 659,812

Commitment (Note 4)

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenues			
Charges against suppliers (Note 1)		$ 434,022	$ 521,684
Less: Bargaining agents funding		234,079	336,291
Charges for funding of Board operations	$ 192,000	199,943	185,393
Interest on fund balance	31,000	25,231	30,347
Miscellaneous	—	2,026	4,600
	223,000	227,200	220,340
Expenses			
Board member per diems	27,000	26,225	31,700
Equipment and maintenance(Note 2)	1,000	—	7,407
Grants	50,000	73,013	12,803
Lease payments - equipment	1,600	1,533	1,779
Lease payments - office space	22,300	22,636	14,424
Legal fees	3,750	880	2,023
Other expenses	8,600	2,339	7,955
Salaries	83,000	86,484	79,713
Supplies and services	6,900	5,472	7,996
Travel	27,500	22,675	34,655
	231,650	241,257	200,455
(Deficiency) Excess of revenues over expenses	$ (8,650)	(14,057)	19,885
Fund balance, beginning of year		640,332	620,447
Fund balance, end of year		$ 626,275	$ 640,332

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Changes in Financial Position
for the year ended March 31, 2003

	2003	2002
Cash derived from operations		
(Deficiency) excess of revenues over expenses	$ (14,057)	$ 19,885
Changes in non-cash operating working capital items		
Due from processors	(16,728)	14,903
Due from Province of Nova Scotia	18,400	(23,680)
Accounts payable	375	1,500
Due to bargaining agents	12,010	(12,608)
	14,057	(19,885)
Increase (decrease) in cash	—	—
Cash, beginning of year	200	200
Cash, end of year	$ 200	$ 200

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to Financial Statements
March 31, 2003

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Loan Receivable

In August 2002 a $25,000 loan made to a wood lot owner's organization, which was deemed uncollectible in the year ended March 31, 2000, was formally approved for write-off by the Executive Council of the Government of Nova Scotia. Subsequently, the Board recovered $1,030 from the final distribution of the organization's assets, which is included under miscellaneous revenue.

4. Office Lease Commitment

The Board remits monthly payments of $1,837 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2004.

5. Pensions

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITORS' REPORT

To the Board of Trustees of the Nova Scotia Public Service Long Term Disability
Plan Trust Fund

We have audited the balance sheet of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2002 and the statement of continuity of fund equity for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2002 and the continuity of the fund for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON
Chartered Accountants

Halifax, Nova Scotia
March 27, 2003

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Balance Sheet
as at December 31, 2002

		2002	2001
ASSETS			
CURRENT ASSETS			
Cash		$ 2,179,872	$ 145,872
Accounts receivable	- premiums	1,810,025	1,168,860
	- EI premium rebates	44,829	349,293
	- C.P.P. rebates	156,993	92,053
	- WCB repayments	15,072	129,984
	- Subrogation recoveries	19,000	—
Investments (note 4)		23,354,764	26,358,332
		27,580,555	28,244,394
CAPITAL ASSETS (note 5)		20,997	26,693
		$ 27,601,552	$ 28,271,087
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	- Province of Nova Scotia	$ 1,346,057	$ 1,464,826
	- other	262,474	132,656
		1,608,531	1,597,482
FUND EQUITY			
FUND EQUITY		25,993,021	26,673,605
		$ 27,601,552	$ 28,271,087

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Continuity of Fund Equity
for the year ended December 31, 2002

	2002	2001
FUND INCREASES		
Premiums (note 6)	$ 15,094,927	$ 10,320,876
EI premium rebates	925,995	1,121,549
	16,020,922	11,442,425
FUND DECREASES		
Actuarial	51,533	97,429
Audit and accounting	21,108	22,928
Disability claims	13,465,181	12,814,660
- CPP recoveries	(463,717)	(318,874)
- Subrogation recoveries	(119,005)	(185,143)
- WCB recoveries	(205,994)	(162,236)
Investment custodian	28,404	32,516
Investment manager	58,414	61,276
Legal - subrogation	43,485	29,489
- other	24,661	21,376
Office and sundry (note 7)	444,103	363,015
Plan administration services	545,871	438,067
Rehabilitation program	371,499	261,651
	14,265,543	13,476,154
INCREASE (DECREASE) IN FUND EQUITY BEFORE INVESTMENT LOSS DURING THE YEAR	1,755,379	(2,033,729)
INVESTMENT LOSS	(2,435,963)	(1,203,254)
DECREASE IN FUND EQUITY DURING THE YEAR	(680,584)	(3,236,983)
FUND EQUITY - BEGINNING OF YEAR	26,673,605	29,910,588
FUND EQUITY - END OF YEAR	$ 25,993,021	$ 26,673,605

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Cash Flow
for the year ended December 31, 2002

		2002	2001
CASH FLOW FROM OPERATING ACTIVITIES			
Decrease in fund equity for the year		$ (680,584)	$ (3,236,983)
Adjustments for:			
Amortization		8,416	6,415
Loss on sale of investments		3,298,076	2,024,609
		2,625,908	(1,205,959)
Changes in non-cash working capital			
Accounts receivable	- premiums	(641,165)	(28,876)
	- EI premium rebates	304,464	(279,647)
	- CPP rebates	(64,940)	(22,528)
	- WCB repayments	114,912	(101,561)
	- Subrogation recoveries	(19,000)	91,397
Accounts payable	- Province of Nova Scotia	(118,770)	44,941
	- Other	129,818	(51,557)
Deferred revenue		—	(30,411)
		2,331,227	(1,584,201)
CASH FLOW FROM OPERATING ACTIVITIES			
Purchase of capital assets		(2,720)	(24,667)
Purchase of investments		(16,107,236)	(29,830,752)
Proceeds from sale of investments		15,812,729	31,338,572
		(297,227)	1,483,153
INCREASE (DECREASE) IN CASH DURING THE YEAR		2,034,000	(101,048)
CASH - BEGINNING OF YEAR		145,872	246,920
CASH - END OF YEAR		$ 2,179,872	$ 145,872

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Notes to Financial Statements
for the year ended December 31, 2002

1. AUTHORITY AND ACTIVITIES

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

2. EFFECTIVE DATES

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements.

3. ACCOUNTING POLICIES

Financial instruments

The fund's financial instruments consist of cash, accounts receivable, investments and accounts payable. Unless otherwise noted, it is management's opinion that the fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Disability claims

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

Marketable securities

Marketable securities are stated at market value.

Amortization of capital assets

The fund records amortization of the capital assets at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

4. INVESTMENTS

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2002 are recorded at market value of $23,354,764 (cost - $23,927,041) and at December 31, 2001 were recorded at market value of $26,358,332 (cost - $24,225,974).

5. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated amortization	Net	Net
Computer and office equipment	$ 46,558	$ 28,804	$ 17,754	$ 22,786
Software	5,194	1,951	3,243	3,907
	$ 51,752	$ 30,755	$ 20,997	$ 26,693

6. PREMIUMS

	2002	2001
Atlantic Provinces Special Education Authority Centres	$ 59,611	$ 40,088
Capital District Health Authority	3,435,895	2,156,999
Correctional officers	246,532	190,992
Department of Transportation	748,551	562,887
District Health Authority 3	86,142	64,083
District Health Authorities 4, 5 and 6	18,433	67,813
District Health Authorities 7 and 8	17,227	108,479
Nova Scotia Community College	697,830	443,897
Nova Scotia Government Employees Union	66,204	45,559
Nova Scotia Legal Aid	200,015	126,621
Nova Scotia Utility and Review Board	34,094	23,599
Other	34,605	24,617
Province of Nova Scotia Employees	9,449,788	6,465,242
	$ 15,094,927	$ 10,320,876

7. OFFICE AND SUNDRY

	2002	2001
Amortization	$ 8,416	6,415
Equipment rentals	1,184	2,202
Miscellaneous	74,463	38,913
Rent and taxes	64,096	47,483
Salaries and benefits	231,373	201,753
Supplies and postage	26,904	30,470
Telephone	6,325	6,087
Professional development	29,364	28,117
Vehicle allowance and travel	1,978	1,575
	$ 444,103	$ 363,015

8. ACTUARIAL VALUATION

The last actuarial valuation was completed as at March 31, 2001, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be $74,140,000. The actuarial value of the fund assets as at March 31, 2001 was $27,838,000, leaving an unfunded actuarial liability of $46,302,000.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2003 and the statement of changes of net assets available for benefits for the year then ended. These financial statements are the responsibility of the fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the fund as at March 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 23, 2003

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31, 2003

	2003	2002
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	$ 2,518,904	$ 2,923,397
Contributions receivable		
Employees'	2,221	1,862
Employers'	2,772	2,039
Accrued income	24,075	23,923
Net investment transactions outstanding	23,475	11,800
Cash	598	560
Total Assets	2,572,045	2,963,581
Liabilities		
Accounts payable	16,515	16,540
Total liabilities	16,515	16,540
Net assets available for benefits	2,555,530	2,947,041
Actuarial asset value adjustment (Note 4)	749	955
Actuarial value of net assets available for benefits	$ 2,556,279	$ 2,947,996
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 3,318,275	$ 3,128,720
Deficiency (Note 5)	(761,996)	(180,724)
Accrued pension benefits net of deficiency	$ 2,556,279	$ 2,947,996

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Changes in Net Assets Available for Benefits for the year ended March 31, 2003

	2003	2002 (in thousands)
Increase (Decrease) in Assets		
Investment activities (Note 3)	$ —	$ 127,078
Contributions		
Employers' - matched	36,938	34,070
Employees' - matched	36,938	34,070
Employees' - unmatched	2,045	301
Interest on the purchase of prior years' service	1,003	1,391
Transfers from other pension plans	4,068	4,788
	80,992	74,620
Total increase in assets	80,992	201,698
Decrease In Assets		
Investment activities (Note 3)	304,838	—
Benefits paid	149,127	143,061
Operating expenses (Note 6)	7,101	7,486
Refund of contributions and interest and transfers to other pension plans	11,437	17,861
Total decrease in assets	472,503	168,408
Decrease (Increase) in Net Assets	(391,511)	33,290
Net Assets Available for Benefits at Beginning of Year	2,947,041	2,913,751
Net Assets Available for Benefits at End of Year	$ 2,555,530	$ 2,947,041

See accompanying notes to financial statements.

Notes to the Financial Statements
March 31, 2003

1. Authority and Description of Plan

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 5.4% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 7% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus pensionable service factor of 80 - "Rule of 80" ;
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;
- age 65

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $15.9 million for the year ended March 31, 2003 (2002 - $15.8 million).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the benefits in pay. These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(c) Investments

(i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund at year end are recorded at market value with the resulting gains or losses being recognized in current period change in market value of investments.

(iii) Investments include debentures of the Province of Nova Scotia with total market value of $41.8 million (1.6% of total assets) as at March 31, 2003 ($44.2 million (1.5% of total assets) as at March 31, 2002).

(d) Actuarial Value of Net Assets Available for Benefits

The Fund values assets using a technique known as "Actuarial Smoothing", whereby the actuarial asset values are adjusted to reflect the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effect of derivative contracts

	As at March 31, 2003		For the Year	As at March 31, 2002		For the Year
	Asset	%	Income (Loss) *	Asset	%	Income (Loss) *
			(in thousands)			
Money market. .	$ 230,207	9.2%	$ 5,396	$ 234,636	8.0%	$ 8,374
Real Estate						
- Canadian . . .	36,001	1.4%	1,140	---	---	---
Fixed income. . .	964,767	38.3%	102,928	1,057,207	36.2%	57,721
Equities						
- Canadian . . .	713,236	28.3%	(127,643)	832,435	28.5%	73,045
- US	402,586	16.0%	(161,358)	544,789	18.6%	3,686
- Other foreign	176,080	7.0%	(88,362)	252,246	8.6%	(14,321)
Derivatives	(3,973)	(0.2%)	(36,959)	2,084	0.1%	(1,489)
Other	---	---	20	---	---	62
	$ 2,518,904	100.0%	$ (304,838)	$ 2,923,397	100.0%	$ 127,078

* Includes realized losses of $42.1 million ($25.4 million - 2002) and unrealized losses of $321.5 million (gains of $69.6 million - 2002).

(b) Derivative Contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 2003. Notional amounts of derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

(in thousands)

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
$ 53,727	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 412
13,977	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(417)
35,908	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(2,428)
53,918	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(1,540)
$ 157,530					$ (3,973)

(c) Market value of investments and related income after allocating the effects of derivative contracts:

(in thousands)

	As at March 31, 2003 Asset	%	For the Year Income (Loss) *	As at March 31, 2002 Asset	%	For the Year Income (Loss) *
Money market. .	$ 72,278	2.9%	$ 1,558	$ 43,656	1.5%	$ 3,225
Real Estate						
- Canadian . . .	36,001	1.4%	1,140	—	—	—
Fixed income. . .	964,767	38.3%	102,928	1,057,207	36.2%	57,721
Equities						
- Canadian . . .	867,192	34.4%	(160,764)	1,025,499	35.1%	76,705
- US	402,586	16.0%	(161,358)	544,789	18.6%	3,686
- Other foreign	176,080	7.0%	(88,362)	252,246	8.6%	(14,321)
Other	—	—	20	—	—	62
	$ 2,518,904	100.0%	$ (304,838)	$ 2,923,397	100.0%	$ 127,078

* Includes realized losses of $42.1 million ($25.4 million - 2002) and unrealized losses of $321.5 million (gains of $69.6 million - 2002).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 2003 the $964.8 million fixed income securities had a modified duration of 6.0 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.00 %.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	March 31, 2003	March 31, 2002
	(in thousands)	
Canada	$ 1,958,473	$ 2,143,363
Eurozone	42,447	63,021
Japan	26,432	26,894
United Kingdom	37,000	40,101
United States	430,791	581,011
Other	48,434	93,490
Total	$ 2,543,577	$ 2,947,880

4. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the following:

	2003	2002
	(in thousands)	
Service Buy-back Receivable	$ 749	$ 955

(a) Unamortized Investment Gains and Losses

The net assets available for benefits is subject to an actuarial asset value adjustment which moderates the effects of market volatility on investment value. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. The actuarial asset value adjustment reflects the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

(b) Service Buy-back Receivable

This receivable represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Actuarial Valuation

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits ("Fund liabilities") calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco performed a valuation as at December 31, 2002 and issued their report in May 2003. The report indicated that the Plan had an unfunded liability of $587.0 million (December 31, 2001 - $130.5 million). A projection to March 31, 2003, applying the same assumptions, indicated an unfunded liability of $762.0 million (March 31, 2002 - $180.7 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	Valuation December 31, 2002	**Valuation December 31, 2001**
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands
Real Rate of Return on Investment	4.25% per annum	4.25% per annum
Average Retirement Age	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

The impact of the change in major actuarial assumptions and methodology used for December 31, 2002 as compared to December 31, 2001:

The assumed retirement age for members on Long Term Disability ("LTD") whose date of disability was after May 1, 2002 was changed to the earlier of age 60 or the age at which they attained 35 years of service. At the last valuation, all members on LTD were assumed to retire at the earlier of age 65 or the age at which they attained 35 years of service. This change increased Plan liabilities by $1.1 million.

6. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

	2003	2002
	(in thousands)	
Plan Administration		
Professional services	$ 171	$ 178
Salaries	720	657
Supplies and services	416	538
Travel	7	7
Other	84	77
	$ 1,398	$ 1,457
Investment Expenses		
Investment management fees	$ 5,185	$ 5,556
Professional services	29	31
Salaries	356	311
Supplies and services	72	70
Travel	22	18
Other	39	43
	5,703	6,029
Total Operating Expenses	$ 7,101	$ 7,486

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 2002, and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
April 25, 2003

NOVA SCOTIA RESOURCES LIMITED

Consolidated Balance Sheet
December 31, 2002, with comparative figures for 2001

ASSETS

	2002	2001 (in thousands)
Oil and gas properties (note 2)	$ 1,595	$ 5,332
Cash and short-term investments	2	13,626
Receivables and other assets (note 3)	12,318	118
Income taxes receivable	954	882
	$ 14,869	$ 19,958

LIABILITIES and SHAREHOLDER'S EQUITY

	2002	2001
Provision for site restoration (note 4)	$ 11,832	$ 11,832
Payables and accruals	824	1,908
Due to Province of Nova Scotia	422	4,855
	13,078	18,595
Shareholder's equity:		
Capital stock:		
Authorized: 40,000 common shares without par value		
Issued and outstanding: 3 common shares	1	1
Contributed surplus (note 5)	401,442	401,442
Deficit	(399,652)	(400,080)
	1,791	1,363
	$ 14,869	$ 19,958

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Operations and Deficit
Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
		(in thousands)
Revenue:		
Oil and gas revenue	$ 1,729	$ 68,057
Royalties	163	171
	1,566	67,886
Government funding and sundry income	337	1,955
	1,903	69,841
Expenses:		
Transportation	—	11,491
Production	748	6,065
General and administrative	424	1,007
Depreciation and depletion	448	10,118
	1,620	28,681
Earnings before financing cost, income taxes and other	283	41,160
Interest income	(259)	(811)
Foreign exchange loss (gain)	8	(890)
Earnings before the undernoted	534	42,861
Gain (loss) on sale of oil and gas and other properties (note 2)	(106)	160,650
Net earnings	428	203,511
Deficit, beginning of year	(400,080)	(603,591)
Deficit, end of year	$ (399,652)	$ (400,080)

See accompanying notes to financial statements

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Cash Flows
year ended December 31, 2002 with comparative figures for 2001

	2002	2001 (in thousands)
Cash derived from (applied to):		
Operating:		
Net earnings	$ 428	$ 203,511
Items not involving cash:		
Depreciation and depletion	448	10,118
Loss (gain) on sale of oil and gas and other properties	106	(160,650)
	982	52,979
Changes in non-cash operating working capital items:		
Receivables and other assets	(12,200)	14,373
Payables and accruals	(1,084)	(9,403)
Due to Province of Nova Scotia	(4,433)	1,445
Income tax credits receivable	—	71
Income tax receivable	(72)	(882)
	(16,807)	58,583
Financing:		
Contributed surplus repaid to shareholder	—	(394,958)
Investing:		
Expenditures on oil and gas properties	(154)	(7,463)
Decrease in provision for site restoration	—	(1,071)
Recovery of expenditures for site restoration	—	39
Proceeds from disposal of oil and gas and other properties	3,337	340,550
	3,183	332,055
Decrease in cash	(13,624)	(4,320)
Cash and short-term investments, beginning of year	13,626	17,946
Cash and short-term investments, end of year	$ 2	$ 13,626

Supplemental cash flow information (note 6)

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Notes to Consolidated Financial Statements
year ended December 31, 2002

1. **Significant accounting policies:**

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Substantially all of the Company's activities were conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

(b) Oil and gas properties:

The Company accounts for oil and gas properties in accordance with the Canadian accounting guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

(c) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates and has been fully charged against income as part of depletion expense.

(d) Measurement uncertainty:

The amounts recorded for depletion and site restoration are based on estimates of reserves and future costs. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

(e) Revenue recognition:

Revenue from the oil and gas production is recorded at current sales prices once the product is delivered.

2. **Oil and gas properties:**

The Company has the following interest in gas fields and other interests:

	Cost	**Accumulated depletion**	**2002 Net Book value**	**2001 Net Book value**
		(in thousands)		
SDL evaluations				
-Scotian Shelf.	$ 1,595	$ —	$ 1,595	$ 1,561
British Columbia property	—	—	—	3,771
	$ 1,595	$ —	$ 1,595	$ 5,332

In applying the ceiling test to its oil and gas reserves, the Company used forecasted commodity prices at December 31, 2002 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no write down is required.

During 2002, the Company sold its interest in the British Columbia property resulting in a loss disposition of $100,724. The Company realized approximately $4,142,984 related to the sale of these assets, comprised of closing proceeds of $3,341,963 plus an operating income stream of $801,021, which was retained by the Company from the effective sale date January 1, 2002 to the closing date October 29, 2002.

In addition to the above noted income stream, the company also realized a profit of $1,000,000 on this investment in 2001.

3. Receivables and other assets:

	2002	2001 (in thousands)
Accounts receivable, trade	$ 276	$ —
Prepaid expenses	131	93
Receivable - 3052155 NS Limited, wholly-owned Crown Corporation of the Province of Nova Scotia	11,901	—
Other assets	10	25
	$ 12,318	$ 118

4. Provision for site restoration - measurement uncertainty:

The provision for site restoration as at December 31, is comprised as follows:

	2002	2001 (in thousands)
Cohasset/Panuke Project	$ 11,832	$ 11,832

The Cohasset/Panuke Project ceased producing oil in 1999. The joint venture partner in the project has been evaluating deeper hydrocarbon potential in the area and site restoration has thus been delayed.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The actual abandonment costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the remediation option currently being considered has been estimated to range between $9 million and $13 million. The joint venture partner continues to evaluate abandonment options for use of the off-shore facilties, which may reduce or defer the restoration liability.

As evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project, the Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of $17.5 million. This note is guaranteed by the Province of Nova Scotia.

5. Contributed surplus:

On November 17, 2000, the Province of Nova Scotia (the shareholder), by Order in Council, forgave all of the Company's outstanding debt owed to the Province of Nova Scotia. This amount, less return of surplus funds, was recorded as contributed surplus.

During 2001, contributed surplus of $394,958,000 was returned to the shareholder.

6. Supplemental cash flow information:

	2002	2001
	(in thousands of dollars)	
Cash paid for:		
Interest	$ 3	$ 263
Income taxes	—	882
Cash received:		
Interest	262	1,074
Income taxes	—	71

7. Financial instruments - fair values:

The fair value of the Company's receivables and other assets, cash and short-term investments, and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

8. Income taxes:

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately $135 million (2001 - $133 million) of deductions available to reduce future taxable income. The Company aslo has approximately $9 million (2001 - $21 million) of federal tax credits available to reduce future income taxes payable. The tax benefit related to the deductions and credits have not been recognized in these financial statements.

AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the statements of financial position of the Nova Scotia Talent Trust Operating Fund and Investment Fund as at March 31, 2003 and the statements of revenue, expenses and fund balances for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, (deficiency) excess of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R.Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 23, 2003

NOVA SCOTIA TALENT TRUST

Operating Fund Balance Sheet
as at March 31, 2003

		2003		2002
ASSETS				
Current				
Cash	$	3,964	$	5,346
Prepaid expenses (Note 2)		3,877		—
Due from Investment Fund		302		302
Total Assets	$	8,143	$	5,648
LIABILITIES				
Current				
Accounts payable	$	430	$	—
Deferred revenue (Note 3)		450		—
Total Liabilities	$	880	$	—
FUND BALANCE				
Fund Balance - unappropriated		7,263		5,648
Total Liabilities and Fund Balances	$	8,143	$	5,648

Investment Fund Balance Sheet
as at March 31, 2003

		2003		2002
ASSETS				
Current				
Short-term investments (Note 4)	$	49,856	$	49,008
Total Assets	$	49,856	$	49,008
LIABILITIES				
Due to Operating Fund	$	302	$	302
FUND BALANCE				
Fund Balance - appropriated		49,554		48,706
Total Liabilities and Fund Balances	$	49,856	$	49,008

NOVA SCOTIA TALENT TRUST

Operating Fund
Statement of Revenues, Expenses and Fund Balance
for the Year Ended March 31, 2003

	2003	2002
Revenues		
Grant - Province of Nova Scotia	$ 50,000	$ 45,000
Fund raising activities (donations)	7,760	14,538
Interest income	28	16
	57,788	59,554
Expenses		
Talent Trust grants	52,750	52,535
Administration expenses (Note 5)	3,423	3,354
	56,173	55,889
(Deficiency) Excess of revenue over expenses	1,615	3,665
Fund Balance, beginning of period	5,648	1,983
Fund Balance, end of period	$ 7,263	$ 5,648

Investment Fund
Statement of Revenues, Expenses and Fund Balance
for the Year Ended March 31, 2003

	2003	2002
Revenues		
Interest earned - investment fund	$ 848	$ 1,315
Expenses	—	—
Excess of revenue over expenses	848	1,315
Fund Balance, beginning of period	48,706	47,391
Fund Balance, end of period	$ 49,554	$ 48,706

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements
March 31, 2003

1. Authority

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

2. Prepaid Expenses

Prepaid expenses in the operating fund of $3,877 represent expenses incurred for an event occurring in 2003-04.

3. Deferred Revenue

Deferred revenue in the operating fund of $450 represents the unearned portion of amounts received for an event occurring in 2003-04.

4. Investments

Short-term investments are recorded at the lower of cost and market value. Investments consist of three Royal Bank Mutual Funds - Royal Canadian Money Market, Royal Balanced Fund and Royal Canadian T-Bill Fund. The market value of these investments as at March 31, 2003 was $49,988.

5. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Tourism and Culture on behalf of the Trust.

6. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheets and statements of revenues, expenses and fund balance is considered adequate.

7. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism and Culture. The Department provides the Trust with grants which account for 85% of the Trust's revenues. These grants are needed to cover the Trust's annual scholarship disbursements.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at December 31, 2002 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 23, 2003

E. Roy Salmon, FCA
Auditor General

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at December 31, 2002

	2002	2001
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 4)	$ 3,230,736	$ 3,437,725
Receivable from the Province of Nova Scotia (Note 1)	84,376	171,430
Contributions receivable		
Employees'	1,564	1,378
Employers'	4,137	3,907
Net investment transactions outstanding	30,095	
Accrued income	20,956	19,977
Cash	1,092	1,301
Total assets	3,372,956	3,635,718
Liabilities		
Net investment transactions outstanding	---	16,090
Accounts payable	22,244	20,910
Total liabilities	22,244	37,000
Net assets available for benefits	3,350,712	3,598,718
Actuarial asset value adjustment (Note 5)	14,043	30,657
Actuarial value of net assets available for benefits	$ 3,364,755	$ 3,629,375
ACCRUED PENSION BENEFITS AND DEFICIENCY		
Accrued pension benefits (Note 6)	$ 4,380,224	$ 4,197,692
Deficiency (Note 6)	(1,015,469)	(568,317)
Accrued pension benefits and deficiency	$ 3,364,755	$ 3,629,375

See accompanying notes to financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Changes in Net Assets Available for Benefits
for year ended December 31, 2002

	2002	2001
	(in thousands)	
Increase In Assets		
Interest on receivable from Province of Nova Scotia	$ 8,787	$ 12,555
Contributions		
Employers' - matched	50,437	50,601
Employees' - matched	50,437	50,601
Employers' - unmatched - Province	18,058	16,798
Employees' - unmatched	1,934	2,617
Transfers from other pension plans	1,723	983
	122,589	121,600
Total increase in assets	131,376	134,155
Decrease In Assets		
Investment activities (Note 4)	162,120	73,008
Benefits paid	207,158	193,934
Operating expenses (Note 7)	7,877	7,806
Refund of contributions and interest and transfers to other pension plans	2,227	2,536
Total decrease in assets	379,382	277,284
Decrease in Net Assets	(248,006)	(143,129)
Net Assets Available for Benefits at Beginning of Year	3,598,718	3,741,847
Net Assets Available for Benefits at End of Year	$ 3,350,712	$ 3,598,718

See accompanying notes to financial statements.

Notes to the Financial Statements
December 31, 2002

1. Authority and Description of Plan

The Teachers' Pension Fund (the "Fund") was established by the Teachers' Pension Act (the "Act"). It is the funding vehicle for the Teachers' Pension Plan (the "Plan"), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formula are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 9.9 % of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- 35 years of service;
- age 50 with 30 years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service;
- age 65 with two years of service.

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for Plan members. Each employing school board was required to pay into the Plan an amount in respect of each eligible teacher in the employ of the school board who retired in accordance with these regulations. This recievable is repayable over 8 years and bears interest at 8%. At December 31, 2002 the balance outstanding was $84.4 million (December 31, 2001 - $171.4 million). Order-in-Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benifits in pay. These finacial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foeign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transaction. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(c) Investments

(i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund are recorded at market value with the resulting gains or losses being recognized in current period change in market value of investments.

(iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of $65.3 million (1.9% of total assets) as at December 31, 2002 ($65.6 million (1.8% of total assets) as at December 31, 2001).

3. Agreement to Address Unfunded Liability

On November 25, 1993. the Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Plan.

As part of this agreement the Province agreed to pay $300 million into the Fund. By July 18, 1997 the Province had paid the amount in full.

The Province also agreed to make payments over a ten year period equal to $10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act (note 5).

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	As at December 31, 2002		For the Year	As at December 31, 2001		For the Year
	Assets	%	Income * (Loss)	Assets	%	Income * (Loss)
			(in thousands)			
Money market.	$ 276,780	8.6%	$ 5,079	$ 287,494	8.4%	$ 12,125
Fixed income.	1,229,884	38.1%	124,021	1,292,418	37.6%	97,686
Real Estate						
- Canadian .	35,409	1.1%	465	---	---	---
Equities						
- Canadian .	898,299	27.8%	(75,239)	922,947	26.8%	(67,482)
- US	530,382	16.4%	(120,005)	617,513	18.0%	(23,168)
- Other foreign .	253,346	7.8%	(63,321)	302,413	8.8%	(64,696)
Derivatives . . .	6,636	0.2%	(33,146)	14,940	0.4%	(27,533)
Other	---	—	26	—	---	60
	$ 3,230,736	100.0%	$ (162,120)	$ 3,437,725	100.0%	$ (73,008)

* Includes realized losses of $14.1 million ($25.2 million - 2001) and unrealized losses of $231.8 million ($122.4 million - 2001).

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2002. Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined. These contracts are donominated in Canadian dollars and are reset quarterly.

Notional Principal	**Original Term**	**Credit Rating of Counter-party**	**Equity Index**	**BA Index**	**Market Value**
		(in thousands)			
$ 14,349	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 393
55,355	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	(567)
45,058	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	2,532
63,943	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	4,278
$ 178,705					$ 6,636

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	As at December 31, 2002		For the Year	As at December 31, 2001		For the Year
	Assets	%	Income * (Loss)	Assets	%	Income * (Loss)
			(in thousands)			
Money market.	$ 97,419	3.0%	$ 1,015	$ 73,913	2.1%	$ 5,319
Fixed income.	1,229,884	38.1%	124,021	1,292,418	37.6%	97,686
Real Estate						
- Canadian .	35,409	1.1%	465	---	---	---
Equities						
- Canadian .	1,084,296	33.6%	(104,321)	1,151,468	33.5%	(88,209)
- US	530,382	16.4%	(120,005)	617,513	18.0%	(23,168)
- Other foreign .	253,346	7.8%	(63,321)	302,413	8.8%	(64,696)
Other	---	---	26	---	---	60
	$ 3,230,736	100.0%	$ (162,120)	$ 3,437,725	100.0%	$ (73,008)

* Includes realized losses of $14.1 million ($25.2 million - 2001) and unrealized losses of $231.8 million ($122.4 million - 2001).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At December 31, 2002 the $1,229.9 million fixed income securities had a modified duration of 5.8 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 5.8%.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's foreign currency exposure as at December 31, 2002 is summarized in the following table.

Currency	2002	2001
	(in thousands)	
Canada	$ 2,461,461	$ 2,517,303
Eurozone	66,539	85,310
Japan	27,510	36,204
United Kingdom	58,155	54,293
United States	566,599	672,110
Other	72,520	93,783
Total	$ 3,252,784	$ 3,459,003

5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the present value of future payments under Schedule B of the Act. As at December 31, 2002, the present value of these future payments was $14.0 million (2001 - $30.7 million).

6. Actuarial Valuation

Actuarial valuations of the Fund are required every year by the Act, and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, William M. Mercer Limited performed a valuation as at December 31, 2002 and issued their report in May 2003. The report indicated that the Plan had an unfunded liability of $1,015.5 million (2001 - $568.3 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation were as follows:

	Valuation December 31, 2002	Valuation December 31, 2001
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands
Real Rate of Return on Investments	4.25% per annum	4.25% per annum

Average Retirement Age	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at the earliest of: - age 65; or - 35 years of service; or - age 60 with 10 years of service
Mortality	1994 Group Annuitant Mortality Table projected to 2000 using scale AA	1994 Group Annuitant Mortality Table projected to 2000 using scale AA

There were no changes in major actuarial assumptions and methodology used for the 2002 valuation as compared to the 2001 valuation.

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2002	2001
Plan Administration		
	(in thousands)	
Professional services	$ 150	$ 136
Salaries	681	562
Supplies and services	658	378
Travel	6	7
Other	47	88
	$ 1,542	$ 1,171
Investment Expenses		
Investment management fees	$ 5,827	$ 6,219
Professional services	27	83
Salaries	344	265
Supplies and services	52	24
Travel	22	21
Other	63	23
	$ 6,335	$ 6,635
Total Operating Expenses	$ 7,877	$ 7,806

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board as at March 31, 2003, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 23, 2003

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Operations
Year Ended March 31, 2003

	2003	2002
Revenue		
Grant from the Province of Nova Scotia (Note 2) . . . . $	2,392,325 $	2,030,000
Recoveries (Notes 2 and 10)	1,368,427	771,329
Assessments to utilities (Note 2)	788,635	657,231
Interest	20,923	44,029
	4,570,310	3,502,589
Expenses		
Salaries, wages and benefits	2,584,358	2,313,968
Consulting and legal fees	971,610	318,746
Rent and business taxes (Note 11)	421,621	410,733
Travel	208,033	174,168
Transcribing and printing	96,497	37,379
Advertising	64,567	43,958
Office supplies and services	52,229	40,640
Dues and fees	44,908	38,780
Equipment (Note 3)	39,332	19,490
Depreciation	38,713	20,973
Maintenance	30,804	18,008
Telecommunications	28,361	22,683
Postage and couriers	14,920	9,392
Books and reports	13,196	14,346
Sundry expenses	8,426	3,998
Staff training and development	7,754	3,615
	4,625,329	3,490,877
Operating (deficit) surplus for the year . . . . $	(55,019) $	11,712

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Accumulated Surplus
Year Ended March 31, 2003

	2003		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	$ 268,281	$ 105,012	$ 373,293
Transferred from general	171,512	56,539	228,051
Balance, end of year	439,793	161,551	601,344
General			
Balance, beginning of year	278,091	158,290	436,381
Operating deficit	(41,378)	(13,641)	(55,019)
Transferred to restricted	(171,512)	(56,539)	(228,051)
Balance, end of year	65,201	88,110	153,311
Total accumulated surplus	$ 504,994	$ 249,661	$ 754,655

	2002		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	$ 248,625	$ 103,505	$ 352,130
Transferred from general	19,656	1,507	21,163
Balance, end of year	268,281	105,012	373,293
General			
Balance, beginning of year	288,899	156,933	445,832
Operating surplus	8,848	2,864	11,712
Transferred to restricted	(19,656)	(1,507)	(21,163)
Balance, end of year	278,091	158,290	436,381
Total accumulated surplus	$ 546,372	$ 263,302	$ 809,674

See accompanying notes to financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash and cash equivalents (Notes 3 and 6)		
Board operations	$ 636,777	$ 1,188,033
Public service award	331,417	353,505
Accounts receivable (Note 4)	617,477	375,013
Inventory (Note 5)	2,215	3,279
	1,587,886	1,919,830
Service award advances	6,804	8,729
Capital assets	81,344	53,293
	$ 1,676,034	$ 1,981,852

LIABILITIES

	2003	2002
Current		
Payables and accruals	$ 225,662	$ 252,609
Due to related parties	239,300	456,109
	464,962	708,718
Long term		
Public service award liability (Note 8)	331,417	338,460
Advances for working capital (Note 9)	125,000	125,000
	456,417	463,460
	921,379	1,172,178

SURPLUS (Note 2)

	2003	2002
Restricted (Note 13)	601,344	373,293
General	153,311	436,381
	754,655	809,674
	$ 1,676,034	$ 1,981,852

Commitment (Note 11)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Capital Assets
Year Ended March 31, 2003

	Cost				Accummulated Depreciation				2003	2002
	Opening	Additions	Deletions	Closing	Opening	Expense	Deletions	Closing	Net Book Value	Net Book Value
Funiture	$ 151,035	$ 7,935	$ ---	$ 158,970	$ 125,602	$ 5,519	$ ---	$ 131,121	$ 27,849	$ 25,433
Computer Equipment	149,232	55,901	---	205,133	146,238	20,131	---	166,369	38,764	2,994
Computer software	12,007	---	---	12,007	9,029	2,444	---	11,473	534	2,978
Equipment	63,284	2,928	---	66,212	41,396	10,619	---	52,015	14,197	21,888
Total	$ 375,558	$ 66,764	$ ---	$ 442,322	$ 322,265	$ 38,713	$ ---	$ 360,978	$ 81,344	$ 53,293

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Operating (deficit) surplus	$ (55,019)	$ 11,712
Depreciation	38,713	20,973
	(16,306)	32,685
Change in non-cash operating working capital (Note 12)	(483,231)	327,523
	(499,537)	360,208
Financing		
Decrease in War Service pension liability	---	(167,756)
Increase in Public service award liability	(7,043)	37,748
	(7,043)	(130,008)
Investing		
Purchase of capital assets	(66,764)	(7,136)
Net (decrease) increase in cash and cash equivalents	(573,344)	223,064
Cash and cash equivalents		
Beginning of year	1,541,538	1,318,474
End of year	$ 968,194	$ 1,541,538

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2003

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15 of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Section 157 of the Insurance Act and Regulations made pursuant to Section 41 and 42 of the Gas Distribution Act, and Section 44 of the Pipeline Act allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Short term investments
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

Use of estimates
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments
The Board's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

4. Accounts receivable

	2003	2002
Due from related parties	$ 65,848	$ 132,760
Trade	551,629	242,253
	$ 617,477	$ 375,013

5. Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pledged assets

The Board has an operating line of credit of $150,000 of which none has been used at March 31, 2003. As security, the Board has pledged short term investments.

7. Pensions

Public service superannuation fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

8. Public service award liability

The Board follows provisions similar to those found in the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2003	2002
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as insurance, utility and natural gas administration and operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2004	202,342
2005	205,353
2006	209,569
2007	209,569
2008	209,569
Subsequently	331,816
	$ 1,368,218

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

12. Supplemental cash flow information

Change in non-cash operating working capital

	2003	2002
Accounts receivable	$ (242,464)	$ 4,476
Inventory	1,064	158
Service award advances	1,925	1,875
Payables, accruals and due to related parties	(243,756)	321,014
	$ (483,231)	$ 327,523

13. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2003 Total	2002 Total
Working capital	$ 251,458	$ 98,542	$ 350,000	$ 150,000
Tangible capital assets	55,865	25,479	81,344	53,293
Deferred capital expenditures	132,470	37,530	170,000	170,000
	$ 439,793	$ 161,551	$ 601,344	$ 373,293

14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arms length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the Liquor Control Act, Gaming Control Act and Theatre and Amusements Act are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2003	2002
Statement of Operations:		
Grant from the Province of Nova Scotia	$ 2,392,325	$ 2,030,000
Recoveries:		
Premises sublet to Province	24,570	24,570
Alcohol, gaming and amusement adjudicative costs	127,035	118,935
Office supplies expense	10,566	7,151
Balance sheet:		
Accounts receivable (Note 4)	64,545	114,893
Payables and accruals	239,300	452,809
Advances for working capital (Note 9)	125,000	125,000
Surplus	504,994	546,372

To minimize cost to government, some administrative support is provided by the Board to other agencies, in particular the Nova Scotia Police Commission and the Freedom of Information and Protection of Privacy Review Office (FOIPOP Review Office). The Board recovers some shared support costs and any direct expenses incurred on behalf of these agencies.

Transactions with the Nova Scotia Police Commission by financial statement category are as follows:

	2003	2002
Balance sheet:		
Accounts receivable	$ 847	391

Transactions with the FOIPOP Review Office by financial statement category are as follows:

	2003	2002
Statement of Operations:		
Recoveries . . . . $	12,000	12,000
Balance Sheet:		
Accounts receivable	456	17,476
Accounts payable	---	3,300

Effective April 1, 2003, administrative support services to the FOIPOP Review Office and Nova Scotia Police Commission will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia.

AUDITORS' REPORT

To the Board of Directors of
Pictou County Health Authority

We have audited the statement of financial position of Pictou County Health Authority as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pictou County Health Authority as at March 31, 2003, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
June 5, 2003

PICTOU COUNTY HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total 2003	Total 2002
Current					
Cash and cash equivalents	$ 2,546,887	$ 50,656	$ 632,115	$ 3,229,658	$ 3,733,575
Investments (at cost, market value $955,709)	965,379	—	—	965,379	—
Receivables (Note 4)	2,895,651	944,256	20,000	3,859,907	3,485,528
Due from other funds	—	732,386	35,544	767,930	458,439
Inventories	285,134	—	—	285,134	264,755
Prepaids	136,579	—	—	136,579	79,751
	6,829,630	1,727,298	687,659	9,244,587	8,022,048
Other receivables (Note 5)	3,950,193	—	—	3,950,193	3,766,900
Capital assets (Note 6)	—	41,652,508	—	41,652,508	41,541,622
	$ 10,779,823	$ 43,379,806	$ 687,659	$ 54,847,288	$ 53,330,570

LIABILITIES

	Operating Fund	Capital Fund	Endowment Fund	Total 2003	Total 2002
Current					
Payables and accruals (Note 7)	$ 5,569,708	$ 1,443,497	$ —	$ 7,013,205	$ 6,136,700
Due to other funds	767,930	—	—	767,930	458,439
Deferred revenue	2,084,878	523,973	—	2,608,851	2,300,014
Current portion of obligations under capital lease	—	19,226	—	19,226	17,842
Current portion of long term debt	—	—	—	—	23,889
	8,422,516	1,986,696	—	10,409,212	8,936,884
Employee benefits (Note 8)	2,357,307	—	—	2,357,307	2,174,014
Obligation under capital lease (Note 9)	—	11,897	—	11,897	31,123
Long term debt	—	—	—	—	95,557
	10,779,823	1,998,593	—	12,778,416	11,237,578

FUND BALANCES (Page 418)

	Operating Fund	Capital Fund	Endowment Fund	Total 2003	Total 2002
Restricted (Note 10)	—	31,123	541,633	572,756	515,027
Unrestricted	—	—	146,026	146,026	143,172
Investment in capital assets	—	41,350,090	—	41,350,090	41,434,793
		41,381,213	687,659	42,068,872	42,092,992
	$ 10,779,823	$ 43,379,806	$ 687,659	$ 54,847,288	$ 53,330,570

Commitments (Note 12)

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2003

	2003	2002
Revenues		
Nova Scotia Department of Health	$ 37,091,527	$ 34,566,713
Charges to M.S.I.	2,195,541	1,462,696
Department of Veterans Affairs	1,807,752	1,553,449
In-patients	792,169	895,378
Out-patients	246,153	213,649
Rental Income	295,694	277,653
Community Health Board initiatives	48,969	14,893
Early Identification and Intervention program	69,546	38,283
Investment income	53,605	77,218
Food services	10,596	41,424
Laboratory	58,927	57,457
Other income	34,824	43,599
	42,705,303	39,242,412
Expenses		
In-patient services	16,692,587	15,158,663
Ambulatory services	9,557,550	7,133,871
Diagnostic and therapeutic services	6,735,942	6,508,764
Support services	9,517,956	8,769,677
Community services	1,219,602	1,182,706
Employee transitional support	—	256,257
Rental expenses	253,873	268,086
Education and library	115,064	84,475
Increase in vacation pay accrual	188,836	173,146
Retirement allowance benefits	298,893	272,712
	44,580,303	39,808,357
Operating deficit before deficit funding	(1,875,000)	(565,945)
Operating deficit funding receivables from the Nova Scotia Department of Health	1,875,000	565,945
Excess of revenues over expenses	$ —	$ —

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2003

	Capital Fund	Endowment Fund	2003 Total	2002 Total
Restricted				
Balance, beginning of year	$ 48,965	$ 466,062	$ 515,027	$ 419,847
Excess of revenues over expenses	—	12,195	12,195	10,489
Transfer to capital fund	—	(92,456)	(92,456)	—
Transfer to unrestricted	(17,842)	—	(17,842)	(64,865)
Contributions	—	155,832	155,832	149,556
Balance, end of year	$ 31,123	$ 541,633	$ 572,756	$ 515,027
Unrestricted				
Balance, beginning of year	$ 41,434,793	$ 143,172	$ 41,577,965	$ 42,456,934
Transfer from restricted	17,842	—	17,842	64,865
Excess of revenues over expenses	1,691	2,854	4,545	9,274
Capital asset funding				
Department of Health	1,419,407	—	1,419,407	904,555
Foundations	620,507	—	620,507	386,525
Auxiliary	93,538	—	93,538	67,360
Endowment	92,456	—	92,456	—
Other	55,648	—	55,648	5,122
Amortization	(2,380,470)	—	(2,380,470)	(2,293,382)
Capital debt charges	(5,322)	—	(5,322)	(23,288)
Balance, end of year	$ 41,350,090	$ 146,026	$ 41,496,116	$ 41,577,965

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Capital Fund	$ 1,691	$ 5,382
Excess of revenues over expenses - Endowment Fund	15,049	14,381
Contributions - Endowment Fund	155,832	149,556
	172,572	169,319
Change in non-cash working capital		
Receivables	(557,672)	431,089
Inventories	(20,379)	28,444
Prepaids	(56,828)	36,318
Payables and accruals	1,059,798	491,719
Deferred revenue	308,837	258,753
	906,328	1,415,642
Financing and investing		
Capital asset funding	2,281,556	1,363,562
Capital debt charges	(5,322)	(23,288)
Interfund transfer - capital asset funding	17,842	64,865
Purchase of capital assets	(2,491,356)	(1,328,586)
Repayment long term debt and obligation under capital lease	(137,288)	(88,755)
	(334,568)	(12,202)
Decrease in restricted funds	(110,298)	(64,865)
	(444,866)	(77,067)
Net increase in cash and cash equivalents	461,462	1,338,575
Cash and cash equivalents, beginning of year	3,733,575	2,395,[illegible]
Cash and cash equivalents, end of year	$ 4,195,037	$ 3,733,575

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

Pictou County Health Authority operates several health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital and related community health services.

2. Health Authorities Act

Pictou County Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition
Pictou County Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories
Inventories are recorded at the lower of cost or replacement value.

Capital assets
Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals
Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans
The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarially determined using the projected benefit method prorated on service.
- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term investments..

PICTOU COUNTY HEALTH AUTHORITY

Statement of Financial Position
March 31, 2003

4. Receivables

	Operating Fund	Capital Fund	Endowment Fund	Total 2003	Total 2002
Charges to M.S.I.	$ 161,840	$ —	$ —	$ 161,840	$ 184,278
Foundation and Auxiliary	10,902	649,745	—	660,647	668,662
Harmonized sales tax	218,399	177,916	—	396,315	343,184
Patients	151,699	—	—	151,699	181,156
Veterans Affairs Canada	37,885	—	20,000	57,885	129,858
Other	232,198	71,881	—	304,079	217,027
	812,923	899,542	20,000	1,732,465	1,724,165
Nova Scotia Department of Health					
Construction and equipment	—	44,714	—	44,714	10,188
Operating deficit funding and other	2,082,728	—	—	2,082,728	1,751,175
	2,082,728	44,714	—	2,127,442	1,761,363
	$ 2,895,651	$ 944,256	$ 20,000	$ 3,859,907	$ 3,485,528

5. Other receivables

	Operating Fund	Total 2003	Total 2002
Nova Scotia Department of Health			
Vacation pay	$ 1,592,886	$ 1,592,886	$ 1,592,886
Employee benefits	2,357,307	2,357,307	2,174,014
	$ 3,950,193	$ 3,950,193	$ 3,766,900

6. Capital Assets

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 32,378	$ —	$ 32,378	$ 32,378
Land improvements	393,549	96,712	296,837	316,514
Buildings	49,840,149	13,482,920	36,357,229	36,877,624
Equipment	10,224,125	6,013,254	4,210,871	3,998,887
Equipment under capital lease	557,676	434,254	123,422	179,190
Construction in progress	631,771	—	631,771	137,029
	$ 61,679,648	$ 20,027,140	$ 41,652,508	$ 41,541,622

The Aberdeen Hospital Foundation and Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The agreements specify that equipment purchased with funds provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2003	Total 2002
Trade	$ 3,355,857	$ 1,443,497	$ 4,799,354	$ 4,111,685
Vacation pay	2,213,851	—	2,213,851	2,025,015
	$ 5,569,708	$ 1,443,497	$ 7,013,205	$ 6,136,700

8. Employee benefits

The authority has the following benefit plans:

(i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees, and
(ii) a retirement benefit plan providing retiring allowances to its employees.

The defined benefit plan is accounted for as a defined contribution plan.

The most recent projected actuarial valuation of the multi-employer pension plan, with approximately 20,000 members throughout the province, showes an unfunded liability at December 31, 2002.

The net expense for the authority's benefit plans is as follows:

	Pension Benefit Plan March 31, 2003
Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses.	$ 1,241,184

Information about the authority's retirement benefit plan as at March 31, 2003 is as follows:

	Retirement Benefit Plan March 31, 2003
Fair value of plan assets	$ 2,357,307
Accrued benefit liability recognized.	$ 2,357,307

The retirement allowances for the health authority paid out during the year are as follows:

	Retirement Benefit Plan March 31, 2003
Retirement allowances	$ 131,564

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003:

Discount rate	6.17%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

9. Obligation under capital lease

The authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

	2003	2002
2003	$ —	$ 20,908
2004	20,908	20,908
2005	12,197	12,197
	33,105	54,013
Less: amount representing interest on capital leases at 7.25%	1,982	5,048
	31,123	48,965
Less: current portion	19,226	17,842
	$ 11,897	$ 31,123

As security, the authority has pledged specific equipment.

10. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for repayment of the capital lease obligations. This reserve is restricted and will be used solely for the repayment of capital lease obligations as referred to in Note 9. The balance of the reserve was $31,123 as of March 31, 2003.

11. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2003.

12. Commitments

Pictou County Health Authority has entered into an agreement to lease computer equipment. Minimum annual lease payments are as follows:

2004	$ 38,349
2005	$ 38,349
2006	$ 38,349

13. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

14. Comparative figures

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Board of Directors of
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2003 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PDDP as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 16, 2003

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Financial Position
as at March 31, 2003

ASSETS

	Operating Fund	Capital Fund	Total 2003	Total 2002
			(in thousands)	
Current				
Cash	$ 2,368	$ —	$ 2,368	$ 1,265
Accounts receivable (note 3)	5,648	—	5,648	7,618
Due from Capital District Health Authority	—	—	—	—
Inventories	2,457	—	2,457	2,206
	10,473	—	10,473	11,089
Deferred charges (note 4)	—	19	19	28
Capital Assets	—	29	29	43
	$ 10,473	$ 48	$ 10,521	$ 11,160

LIABILITIES

	Operating Fund	Capital Fund	Total 2003	Total 2002
Current				
Due to Capital District Health Authority	$ 404	$ —	$ 404	$ 265
Accounts payable and accrued liabilities	2,254	—	2,254	3,164
Customer rebates	437	—	437	206
	3,095	—	3,095	3,635
Due to Department of Finance (note 5)	7,341	—	7,341	7,341
	10,436	—	10,436	10,976

FUND BALANCE

	Operating Fund	Capital Fund	Total 2003	Total 2002
Operating fund	37	—	37	113
Net assets	—	48	48	71
	$ 10,473	$ 48	$ 10,521	$ 11,160

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Fund Balances
Year ended March 31, 2003

OPERATING FUND

	2003	2002
	(in thousands)	
Balance, beginning of year	$ 113	$ 61
Net revenues over expenditures	37	52
	150	113
Approved equity transfer	(113)	—
Balance, end of year	$ 37	$ 113

INVESTMENT IN CAPITAL ASSETS

	2003	2002
Capital funding, beginning of year	$ 71	$ 95
Amortization	(23)	(24)
	48	71
Balance, end of year	$ 48	$ 71

Statement of Revenues and Expenditures
year ended March 31, 2003

	2003	2002
	(in thousands)	
Operating		
Revenues (Schedule A)	$ 56,886	$ 51,951
Expenditures (Schedule B)	56,849	51,899
Net revenues over expenditures	$ 37	$ 52

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Cash Flow
year ended March 31, 2003

	2003	2002
	(in thousands)	
Operating Activities		
Net revenues over expenditures	$ 37	$ 52
Items not requiring cash		
Amortization	23	24
Amortization of capital fund	(23)	(24)
Approved equity transfer	(113)	—
Changes in non-cash working capital items	1,179	4,197
Cash provided by operating activities	1,103	4,249
Net increase during the year	1,103	4,249
Cash (bank indebtedness), beginning of year	1,265	(2,984)
Cash, end of year	$ 2,368	$ 1,265

See accompanying notes

PROVINCIAL DRUG DEPENDENCY PROGRAM

Notes to Financial Statements
March 31, 2003

1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

Operating Costs:
These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

Capital Assets
Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

Deferred Charges
Deferred charges are valued at cost and are amortized on a straight-line basis over five years.

Inventory
Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

3. Accounts Receivable

	2003	2002
	(in thousands)	
Customer receivables	$ 5,508	$ 7,551
Out-dated drugs receivable	140	67
	$ 5,648	$ 7,618

4. Deferred Charges

The Department of Health entered into an agreement dated January 1, 2000 with a national buying group. As a result, the PDDP will be entitled to receive all negotiated vendor contract prices for pharmaceutical supplies. The PDDP paid a one-time non-refundable joining fee. This investment is recorded at cost and is amortized on a straight-line basis over five years.

5. Due to Department of Finance

In prior years, the Province of Nova Scotia processed and recorded the receipts and disbursements of the Nova Scotia Hospital and PDDP. As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

6. Comparative Figures

Certain of the March 31, 2002 comparative figures have been reclassified to conform with the presentation adopted in the current year.

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Schedule A

Schedule of Revenues
Year ended March 31, 2003

	2003	2002
	(in thousands)	
Drug Sales	$ 56,416	$ 51,475
Department of Health	329	323
Other	141	153
Amortization	23	24
	56,909	51,975
Less: Amortization	23	24
	$ 56,886	$ 51,951

Schedule B

Schedule of Expenditures
Year ended March 31, 2003

	2003	2002
	(in thousands)	
Drugs	$ 56,122	$ 51,126
Compensation	515	474
Fees	141	164
Plant maintenance supplies	37	54
Other	32	77
Amortization	23	24
Travel	2	4
	56,872	51,923
Less: Amortization	23	24
	$ 56,849	$ 51,899

Review Engagement Report

To the Board of Trustees of
The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds

We have reviewed the balance sheet of The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds (Archives) as at March 31, 2003 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Archives.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PRICE,WATERHOUSE,COOPERS LLP
Chartered Accountants

June 20, 2003

Unaudited

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Balance Sheet
As at March 31, 2003

	Endowment Fund, Collections	Archival Ancillary Fund	2003 Total	2002 Total
ASSETS				
Current assets				
Cash	$ ---	$ 53,613	$ 53,613	$ 68,328
Marketable securities	35,699	9,792	45,491	87,678
Amount held in trust by Province of Nova Scotia	51,860	---	51,860	58,452
	87,559	63,405	150,964	214,458
Equipment (note 3)	---	50,352	50,352	48,890
	$ 87,559	$ 113,757	$ 201,316	$ 263,348
LIABILITIES				
Current liabilities				
Amounts payable and accrued liabilities	$ ---	$ 8,101	$ 8,101	$ 4,140
Deferred revenue	—	34,098	34,098	38,785
	—	42,199	42,199	42,925
Net assets				
Endowments	66,100	---	66,100	66,100
Earnings on endowments	21,459	—	21,459	31,657
Invested in equipment	—	50,352	50,352	48,890
Unrestricted	---	21,206	21,206	73,776
	87,559	71,558	159,117	220,423
	$ 87,559	$ 113,757	$ 201,316	$ 263,348

Statement of Changes in Net Assets
For the year ended March 31, 2003

	Endowment Fund, Collections	Archival Ancillary Fund	2003 Total	2002 Total
Net assets - Beginning of year	$ 97,757	$ 122,666	$ 220,423	$ 236,202
Excess of expenditures over revenue for the year	(10,198)	(51,108)	(61,306)	(15,779)
Net assets - End of Year	$ 87,559	$ 71,558	$ 159,117	$ 220,423

Unaudited

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Statement of Revenue and Expenditures
For the year ended March 31, 2003

	Endowment Fund, Collections	Archival Ancillary Fund	2003 Total	2002 Total
Revenue				
Reprographic and other recoveries	$ —	$ 50,327	$ 50,327	$ 53,212
Funding for special collections maintenance	—	69,093	69,093	117,545
Interest	2,076	670	2,746	6,575
	2,076	120,090	122,166	177,332
Expenditures				
Amortization	—	11,868	11,868	9,255
Color film cold storage vault		—	—	6,000
Conferences and seminars	—	2,712	2,712	4,040
Equipment repair and maintenance	—	49,264	49,264	708
Freight and express	—	4,148	4,148	82
General operating	—	10,156	10,156	7,203
Membership dues	—	309	309	35
Miscellaneous	—	1,916	1,916	2,241
Other services	—	4,493	4,493	2,106
Printing and stationery	—	1,500	1,500	113
Professional services	—	2,096	2,096	10,467
Reception renovations	—	—	—	19,742
Special collections maintenance	4,500	69,093	73,593	127,545
Staff training	—	1,143	1,143	100
Subscriptions and periodicals	7,774	485	8,259	739
Transfer to N.S. Archives and Records Management	—	9,737	9,737	—
Travel	—	2,278	2,278	2,735
	12,274	171,198	183,472	193,111
Excess of expenditures over revenue for the year	$ (10,198)	$ (51,108)	$ (61,306)	$ (15,779)

PUBLIC ARCHIVES OF NOVA SCOTIA -
ARCHIVAL ANCILLARY AND TRUST FUNDS

Notes to Financial Statements
For the year ended March 31, 2003

1. Status and nature of activities

The Archives, a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

2. Significant accounting policies

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

Fund accounting

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

Revenue recognition

The Archives follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

Equipment

Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

Computer software	straight-line 10 years
Microfilm and computer equipment	straight-line 5 years
Furniture and other office equipment	straight-line 10 years

3. Equipment

	2003			2002
	Cost	Accumulated amortization	Net	Net
Computer software	$ 18,496	$ 6,500	$ 11,996	$ 12,083
Computer equipment	27,426	7,194	20,232	14,469
Microfilm equipment	23,978	14,777	9,201	13,997
Furniture	7,721	1,192	6,529	7,301
Other office equipment	2,795	401	2,394	1,040
	$ 80,416	$ 30,064	$ 50,352	$ 48,890

AUDITOR'S REPORT

To the Minister of Justice; and
To the Public Trustee

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2003 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2003 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 16, 2003

PUBLIC TRUSTEE TRUST FUNDS

Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
Estates and Trusts		
Cash	$ 330,791	$ 667,901
Securities, real estate and other assets (Note 3)	20,211,648	19,860,851
Common Fund securities (Note 4)	2,311,515	1,414,794
	22,853,954	21,943,546
Special Reserve Fund (Note 5)		
Cash and securities	1,429,592	1,358,378
	$ 24,283,546	$ 23,301,924

LIABILITIES

	2003	2002
Estates and Trusts		
Estates and trusts balances	$ 22,853,954	$ 21,943,546
Special Reserve Fund (Note 5)		
Restricted funds	1,363,236	1,299,008
Funds transferable to Province of Nova Scotia	66,356	59,370
	1,429,592	1,358,378
	$ 24,283,546	$ 23,301,924

The accompanying notes are an integral part of these statements.

PUBLIC TRUSTEE TRUST FUNDS

Statement of Continuity of Assets
For The Year Ended March 31, 2003

	Estates and Trusts	Special Reserve Fund	Fees Earned	2003 Total	2002 Total
Balance, beginning of year	$ 21,943,546	$ 1,358,378	$ —	$ 23,301,924	$ 20,909,650
Add:					
Assets acquired during the year	12,475,998	—	—	12,475,998	11,777,603
Income earned	627,943	—	—	627,943	794,516
Fees earned	—	—	488,799	488,799	442,321
Interest earned on Special Reserve Fund investments	—	66,356	—	66,356	59,370
Excess interest transferred from Common Fund	—	64,228	—	64,228	75,837
	13,103,941	130,584	488,799	13,723,324	13,149,647
Less:					
Distributions of estates and trusts	12,157,439	—	—	12,157,439	10,195,468
Transfers to the Province Fees	—	—	488,799	488,799	442,321
Undistributable estates and trusts (per Section 28)	36,094	—	—	36,094	50,492
Investment income earned on Special Reserve Fund	—	59,370	—	59,370	69,092
	12,193,533	59,370	488,799	12,741,702	10,757,373
Balance, end of year	$ 22,853,954	$ 1,429,592	$ —	$ 24,283,546	$ 23,301,924

The accompanying notes are an integral part of these statements.

PUBLIC TRUSTEE TRUST FUNDS

Notes to Financial Statements
March 31, 2003

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies.

a) The Office of the Public Trustee uses a cash basis of accounting. These financial statements do not include accrued interest and other receivables, as well as accrued fees and other payables.

b) The market value of stocks and bonds at year end is not disclosed in the financial statements.

3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at market value as at the date of death for estates of deceased persons or as at the date that control is assumed for all other estates.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at cost.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2003	2002
Department of Justice		
- Salaries and benefits	$ 641,193	$ 593,596
- Other operating costs	42,834	33,978
- Rent	45,163	41,519
	729,190	669,093
Less transfers to Province		
- Fees	488,799	442,321
- Special Reserve Fund income	59,370	69,092
	548,169	511,413
Net cost to the Province	$ 181,021	$ 157,680

AUDITORS' REPORT

To the Board of Directors of
Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resource Recovery Fund Board Inc. as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Resource Recovery Fund Board as at March 31, 2003 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORTON LLP
Chartered Accountants

Truro, Nova Scotia
May 9, 2003

RESOURCE RECOVERY FUND BOARD INC.

Statement of Operations
Year ended March 31, 2003

	2003	2002
Revenues		
Deposits		
Gross revenues from deposits	$ 28,977,029	$ 28,965,713
Less: Harmonized sales tax	(356,777)	(3,823,437)
	28,620,252	25,142,276
Sales of recyclable materials	3,121,194	3,493,840
Stewardship	656,202	150,328
Tire program	3,032,970	2,966,619
Total revenues	35,430,618	31,753,063
Cost of sales		
Inventory, beginning of year	91,461	74,724
Deposit refunds	11,722,871	10,703,163
Enviro-Depot handling fees	6,980,209	6,447,877
Local cartage	920,333	818,734
Regional processing	856,606	808,456
Freight-in	140,096	119,235
Central processing expenses (Page 451)	515,678	422,377
Non-deposit materials	35,825	29,889
Used tires	2,036,944	2,240,283
Derelict vehicle program	57,140	18,214
Paint/Household Hazardous Waste program	746,918	144,404
	24,104,081	21,827,356
Less inventory, end of year	79,351	91,461
	24,024,730	21,735,895
Gross margin	11,405,888	10,017,168
Administrative expenses (Page 451)	1,146,454	1,117,168
Operating income	10,259,434	8,900,000
Interest and other income	307,083	505,776
	10,566,517	9,405,776
Equity in net loss of an affiliated company	(172,355)	—
Excess of revenues over expenses	$ 10,394,162	$ 9,405,776

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Statement of Financial Position
March 31, 2003

	2003	2002
ASSETS		
Current		
Cash and cash equivalents	$ 14,319,338	$ 12,687,844
Receivables	3,244,495	3,089,938
Accrued interest receivable	32,306	18,143
Inventory	79,351	91,461
Prepaids	133,477	42,270
	17,808,967	15,929,656
Investment in affiliated company (Note 3)	203,845	7,000
Equipment (Note 4)	861,035	748,069
Note receivable from an affiliated company (Note 6)	150,000	---
Organizational costs, net of accumulated amortization	113,222	31,749
	$ 19,137,069	$ 16,716,474
LIABILITIES		
Current		
Payables and accruals	$ 4,214,494	$ 3,161,057
Municipal solid waste diversion credits payable	5,560,000	5,319,008
Unearned revenue	3,406,300	3,502,400
	13,180,794	11,982,465
NET ASSETS (Page 446)		
Invested in capital assets	974,257	779,818
Invested in value added manufacturing	203,845	7,000
Restricted for future projects	1,995,344	1,609,507
Restricted for approved programs	2,782,829	2,337,684
	5,956,275	4,734,009
	$ 19,137,069	$ 16,716,474

Commitments (Note 7)

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Statement of Changes in Net Assets
Year Ended March 31, 2003

Net Assets	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total 2003	Total 2002
Balance, beginning of year	$ 779,818	$ 7,000	$ 1,609,507	$ 2,337,684	$ —	$ 4,734,009	$ 4,427,227
Excess of revenue over expenses	(284,284)	(172,355)	—	—	10,850,801	10,394,162	9,405,776
Investment in capital assets	478,723	—	—	—	(478,723)	—	—
	974,257	(165,355)	1,609,507	2,337,684	10,372,078	15,128,171	13,833,003
Internally imposed restrictions	—	—	—	5,186,039	(5,186,039)	—	—
Investment in value-added manufacturing	—	369,200	(369,200)				
Payments during the year							
Education and awareness	—	—	—	(1,164,460)	—	(1,164,460)	(1,176,237)
Regional co-ordinators	—	—	—	(242,500)	—	(242,500)	(230,528)
Approved programs	—	—	755,037	(2,333,934)	373,961	(1,204,936)	(1,439,109)
Nova Scotia Department of Environment & Labour	—	—	—	(1,000,000)	—	(1,000,000)	(934,112)
Allocation to Municipal solid waste diversion payable	—	—	—	—	(5,560,000)	(5,560,000)	(5,319,008)
Balance, end of year	$ 974,257	$ 203,845	$ 1,995,344	$ 2,782,829	$ —	$ 5,956,275	$ 4,734,009

See accompanying notes to the financial statements

RESOURCE RECOVERY FUND BOARD INC.

Statement of Cash Flows
year ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents:		
Operating		
Excess of revenues over expenses	$ 10,394,162	$ 9,405,776
Equity in net loss of affiliated company	172,355	---
Depreciation and amortization	280,147	218,073
Loss (gain) on sale of equipment	4,137	(29,788)
	10,850,801	9,594,061
Change in non-cash operating working capital		
Receivables	(168,720)	(573,549)
Inventory	12,110	(16,737)
Prepaids	(91,207)	(39,348)
Payables and accruals	1,294,429	578,957
Unearned revenue	(96,100)	347,300
	11,801,313	9,890,684
Investing		
Proceeds from sale of equipment	1,279	63,676
Purchase of		
Equipment	(379,249)	(291,530)
Organizational costs	(100,753)	(25,085)
Investment - value added manufacturing	(369,200)	---
Issuance of note receivable to an affiliated company	(150,000)	---
	(997,923)	(252,939)
Allocation of net assets to:		
Municipal solid waste diversion	(5,560,000)	(5,319,008)
Approved programs	(3,611,896)	(3,779,986)
	(9,171,896)	(9,098,994)
Net increase in cash and cash equivalents	1,631,494	538,751
Cash and cash equivalents,beginning of year	12,687,844	12,149,093
Cash and cash equivalents, end of year	$ 14,319,338	$ 12,687,844

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to develop and administer industry stewardship programs that increase diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

2. Summary of signification accounting policies

Depreciation

Rates and bases of depreciation applied to write-off the cost of equipment over their estimated lives are as follows:

Field equipment	20%	straight-line
Office and warehouse equipment	20%	straight-line
Computer hardware and software	33 1/3%	straight-line
Containers		
- Bags	33 1/3%	straight-line
- Tubs	10%	straight-line
Vehicles	33 1/3%	straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight line basis over five years.

Income taxes

The company is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

Investment in affiliated company

The company accounts for its investment in an affiliated company using the equity method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Financial instruments

Financial instruments include cash and cash equivalents, receivables, investment in affiliated company, note receivable from an affiliated company, payables and accruals and municipal solid waste diversion credits payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximate their carrying values.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

3. Investment in affiliated company

Resource Recovery Fund Board Inc. has a 60.8% ownership in Novapet Inc., a company that processes polyethylene terephthalate (PET) plastic beverage bottles into a flake for resale.

Novapoet Inc. has not been consolidated in the Resource Recovery Fund Board Inc.'s financial statements. Financial summaries of Novapet Inc. as at March 31, 2003 are as follows:

Financial Position

Total assets	$	1,467,090
Total liabilitites	$	1,046,960
Shareholders' equity		420,130
	$	1,467,090

Results of Operations

Total revenues	$	3,833,594
Total cost of goods sold and expenses		4,117,026
Net loss	$	(283,432)

Cash Flows

Cash from operations	$	113,440
Cash used in financing activities		27,529
Cash used in investing activities		(80,839)
Increase in cash and cash equivalents	$	60,130

4. Equipment

	Cost	Accumulated Depreciation	2003 Net Book Value	2002 Net Book Value
Field Equipment	$ 233,052	$ 130,796	$ 102,256	$ 149,755
Office and warehouse equipment	94,730	79,878	14,852	21,068
Leasehold Improvements	12,407	5,956	6,451	8,224
Containers	1,178,868	587,769	591,099	444,022
Computer hardware and software	446,608	381,968	64,640	66,864
Vehicles	139,226	57,489	81,737	58,136
	$ 2,104,891	$ 1,243,856	$ 861,035	$ 748,069

5. Banking facilities

The company has an operating line of credit of $2,500,000, all of which is unused at March 31, 2003.

6. Note receivable from an affiliated company

	2003	2002
Note receivable from an affiliated company, due March 31, 2005, bearing interest at the prime commercial lending rate.	$ 150,000	$ —

7. Commitments

The company has entered into agreements to lease office space and a warehouse. Minimum rent payable for the next four years on these leases are as follows:

2004	$	99,088
2005	$	99,088
2006	$	96,164
2007	$	10,067

8. Related party transactions

During the year, the company had the following transactions with an affiliated company:

a) Sold polyethylene terephthalate (PET) plastic beverage bottles in the amount of $562,992 to Novapet Inc. Included in trade accounts receivable is $104,491 owing from Novapet Inc. relating to these sales.

b) During the year, the company issued an interest bearing $150,000 note receivable to Novapet Inc. Interest receivable in the amount of $5,000 relating to this note receivable is is included in receivables. See Note 6.

c) Included in payables is $66,667 owing to Novapet Inc.

d) Included processing fees of $29,200 from Novapet Inc.

RESOURCE RECOVERY FUND BOARD INC.

Schedule of Central Processing Expenses
Year Ended March 31, 2003

	2003	2002
Building expenses	$ 38,387	$ 38,403
Depreciation and amoritzation	160,349	131,404
Insurance	919	968
Meetings and travel	11,436	18,345
Postage, delivery and office	7,892	3,878
Propane - forklift	2,511	1,919
Repairs and maintenance - bulk bags	43,586	30,953
Repairs and maintenance - equipment	4,768	5,397
Salaries and benefits	201,788	128,359
Shipping supplies	34,576	53,262
Telecommunications	8,383	8,375
Vehicle expense	1,083	1,114
	$ 515,678	$ 422,377

Schedule of Administrative Expenses
Year Ended March 31, 2003

	2003	2002
Bank charges and interest	$ 12,347	$ 6,041
Board fees and expenses	59,281	62,328
Building expenses	92,379	67,751
Depreciation and amortization	81,032	45,342
Dues and fees	5,310	6,863
Equipment lease or rent	3,803	5,331
Insurance	5,772	4,228
Meetings and travel	61,154	43,589
Office expense	14,445	11,254
Postage and delivery	14,087	18,356
Printing and stationery	7,752	6,628
Professional fees	97,618	127,464
Public relations	55,720	48,279
Salaries and benefits	525,836	501,200
Software development and support	69,721	124,602
Telecommunications	31,900	31,181
Training	5,568	3,791
Vehicle expense	2,729	2,940
	$ 1,146,454	$ 1,117,168

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 2003 and the statements of operations, fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003, and the results of its operations and cash flows for the year then ended in accordance with the accounting principles adopted for museum boards in the Province of Nova Scotia.

DELOITTE & TOUCHE LLP
Chartered Accountants

May 16, 2003

SHERBROOKE RESTORATION COMMISSION

Balance Sheet
as at March 31, 2003

	2003	2002
ASSETS		
Current		
Cash (Note 2)	$ 56,988	$ 37,491
Guaranteed Investment Certificate - restricted (Note 3)	63,196	98,577
Accounts receivable	44,971	62,591
Inventory (Note 2)	122,145	127,611
Prepaid expense	1,915	1,677
	289,215	327,947
Capital assets, at cost (Note 2)		
Property, buildings and furnishings	4,396,320	4,322,726
	$ 4,685,535	$ 4,650,673
LIABILITIES AND EQUITY		
Current		
Accounts payable	$ 96,793	$ 61,304
Equity		
Investment in capital assets	4,396,320	4,322,726
Reserve for development (Note 3)	63,196	98,577
Operating fund surplus	129,226	168,066
	4,588,742	4,589,369
	$ 4,685,535	$ 4,650,673

Statement of Operations
Year Ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	$ 919,615	$ 919,453	$ 957,930
Program revenue (Schedule 2)	344,000	365,176	366,791
Other			
Gate admissions	140,000	128,856	130,602
Government grants	---	26,547	---
Interest	10,000	5,051	10,171
Miscellaneous	7,480	9,330	11,380
	157,480	169,784	152,153
Total revenue	1,421,095	1,454,413	1,476,874
Expenditures			
General operating (Schedule 1)	567,540	584,453	553,957
Program (Schedule 2)	813,675	872,135	865,683
Capital	39,880	35,845	51,962
Total expenditures	1,421,095	1,492,433	1,471,602
Excess of (expenditures over revenue) revenue over expenditures	$ —	$ (38,020)	$ 5,272

SHERBROOKE RESTORATION COMMISSION

Statement of Fund Balances
Year Ended March 31, 2003

INVESTMENT IN CAPITAL ASSETS

	2003	2002
Balance, beginning of year	$ 4,322,726	$ 4,268,852
Additions		
Furnishings and equipment	1,548	1,912
Renovations funded out of operations, net	35,845	51,962
Transfer from reserve for development (Note 3)	36,201	—
	73,594	53,874
Balance, end of year	$ 4,396,320	$ 4,322,726

OPERATING FUND SURPLUS

	2003	2002
Balance, beginning of year	$ 168,066	$ 164,727
Excess of (expenditures over revenue) revenue over expenditures	(38,020)	5,272
	130,046	169,999
Transfer to reserve for development	820	1,933
Balance, end of year	$ 129,226	$ 168,066

RESERVE FOR DEVELOPMENT (Note 3)

	2003	2002
Balance, beginning of year	$ 98,577	$ 96,644
Transfer from operating fund surplus	820	1,933
	99,397	98,577
Transfer to investments in capital assets	36,201	—
Balance, end of year	$ 63,196	$ 98,577

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net (expenditure) revenue	$ (38,020)	$ 5,272
Add capital expenditures charged to operations	37,393	53,874
	(627)	59,146
Changes in non-cash working capital items (Note 5)	58,337	1,130
	57,710	60,276
Investing		
Additions to property, buildings and furnishings	(73,594)	(53,874)
Investment in guaranteed investment certificate	(820)	(1,933)
Net proceeds from guaranteed investment certificate	36,201	—
	(38,213)	(55,807)
Net cash inflow	19,497	4,469
Cash position , beginning of year	37,491	33,022
Cash position , end of year	$ 56,988	$ 37,491
Represented by:		
Cash	$ 56,988	$ 37,491

SHERBROOKE RESTORATION COMMISSION

Notes to the Financial Statements
Year Ended March 31, 2003

1. DESCRIPTION OF OPERATIONS

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting policies considered appropriate for the museums in the Province of Nova Scotia. The more significant of these accounting policies are summarized below:

a) Fund Accounting

The assets and liabilities of the Commission are segregated into three funds - Operating and Investment in Property, Buildings and Furnishings and Reserve for Development. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Amortization

Amortization is not recorded on the capital assets.

c) Capital Assets

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

d) Inventory

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market.

e) Cash

Cash consists of amounts held at financial institutions.

f) Financial Instruments

The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

g) Use of Accounting Estimates

The preparation of financial statements in confirmity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. GUARANTEED INVESTMENT CERTIFICATE

During the year, the Sherbrooke Restoration Commission had net redemptions of $35,381 in the Sherbrooke Village Development Fund. This brings the total of internally restricted cash to $63,196. This fund will be for capital items that will fulfil the long-term objectives of the Commission, such as enhancements. The cash from redemptions was used to purchase the Brigley property in the village.

4. PENSION PLAN

The Commission has a defined benefit pension plan which covers all permanent employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial valuation was carried out in 2001, and covered the financial position of the plan as at December 31, 2000. At that time, the assets of the plan amounted to $802,000 and the liabilities amounted to $742,000, with the result that the plan had a surplus of $60,000 at that date.

As at December 31, 2002 the plan has an estimated deficit of $278,900.

The Commission has adopted the new requirements of Section 3461 of the CICA Handbook on a prospective basis. As a result, a transitional obligation of $60,460 is being amortized over the average remaining service period of active employees, being 20 years.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations at January 1, 2001 are as follows:

Expected long-term rate of return on plan assets	7%
Rate of compensation increases	4.5%

Pension expense for the year ended March 31, 2003 is $39,248. Included in account payable is an accrued benefit liability of $6,397.

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2003	2002
Accounts receivable	$ 17,620	$ (22,280)
Inventory	5,466	(2,221)
Prepaid expenses	(238)	9,605
Accounts payable	35,489	16,026
	$ 58,337	$ 1,130

6. COMPARATIVE FIGURES

Certain of the March 31, 2002 figures have been reclassified to conform with the current year financial statement presentation.

SHERBROOKE RESTORATION COMMISSION

Schedule 1

Schedule of General Operating Expenditures
Year Ended March 31, 2003

	2003 Budget	2003 Actual	2002 Actual
Advertising and brochures	$ 23,000	$ 20,071	$ 22,452
Freight	2,000	623	872
Heat, light and power	64,000	70,605	54,701
Insurance and taxes	4,800	4,980	4,299
Interest and bank charges	2,600	2,207	2,659
Maintenance supplies	17,000	21,395	24,729
Miscellaneous	7,700	5,054	13,776
Motor vehicles	4,875	5,899	6,585
Office supplies and postage	17,000	13,823	13,792
Sewer and water	40,000	36,100	34,775
Professional fees	7,000	8,202	8,731
Property maintenance and security salaries	101,505	109,760	105,190
Pension plan and other benefits	78,000	81,918	73,006
Salaries and wages - Administration	139,360	135,722	135,266
Staff and Commission training and travel	18,700	22,221	16,214
Special projects wages	---	15,216	384
Telephone	16,000	12,365	15,269
Workers' compensation	24,000	18,292	21,257
	$ 567,540	$ 584,453	$ 553,957

Schedule of Program Revenue and Expenditures
Year Ended March 31, 2003

Schedule 2

	2003 Budget	2003 Net Expenditures	2002 Net Expenditures
Blacksmith shop	$ 11,445	$ 11,317	$ 13,825
Boat shop	800	---	---
Costume shop	26,150	26,399	20,806
Craft shop	27,710	32,017	22,522
Emporium (Schedule 3)	(53,290)	(27,591)	(21,981)
Exhibit operations	1,200	247	322
Jordan barn	36,915	46,224	46,882
Pottery shop	27,700	33,715	25,891
Program management	80,675	77,362	81,118
Restaurant	(2,000)	(2,458)	(751)
Print shop	500	(460)	668
Sawmill operations	27,900	28,568	19,197
Ambrotype Studio	10,500	7,226	7,397
Turner shop	23,190	15,532	18,025
Woodworking shop	23,790	17,503	37,221
Education program	(23,000)	(29,114)	(35,150)
Guides	249,480	268,159	255,147
Riverfront project, St. Mary's Boat Club	---	903	---
Theatre program	10	1,410	7,753
	$ 469,675	$ 506,959	$ 498,892
Program expenditures	$ 813,675	$ 872,135	$ 865,683
Less: Program revenue	344,000	365,176	366,791
Net expenditures	$ 469,675	$ 506,959	$ 498,892

SHERBROOKE RESTORATION COMMISSION

Schedule 3

Schedule of Retail Operations
Year Ended March 31, 2003

	2003	2002
Revenue		
Sales	$ 160,936	$ 168,085
Cost of goods sold		
Merchandise inventory, opening	30,824	33,926
Purchases	108,105	104,399
Merchandise available for sale	138,929	138,325
Less: Merchandise inventory, ending	36,381	30,824
Cost of goods sold	102,548	107,501
Gross profit on sales	58,388	60,584
Expenses		
Salaries and wages	26,791	34,607
General expense	4,006	3,996
	30,797	38,603
Net retail income	$ 27,591	$ 21,981

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 20, 2003

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Operations
For the Year Ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Revenue				
Department of Health funding..... $	39,261,134 $	— $	39,261,134 $	38,104,916
Department of Veteran's Affairs.....	1,748,464	—	1,748,464	1,640,313
Patient..........................	1,193,338	—	1,193,338	1,114,333
Physician funding................	2,194,661	—	2,194,661	1,287,513
Program recoveries and sales........	1,723,471	—	1,723,471	1,497,256
Amortization of deferred capital grants.......................	—	2,713,744	2,713,744	2,355,065
Other..........................	455,581	71,756	527,337	366,441
	46,576,649	2,785,500	49,362,149	46,365,837
Expenses				
Administration and support..........	1,750,848	—	1,750,848	1,248,519
Addiction......................	1,506,595	—	1,506,595	1,376,421
Diagnostic imaging...............	2,392,053	—	2,392,053	2,187,849
Environmental..................	1,692,453	—	1,692,453	1,552,550
Finance.........................	587,125	—	587,125	470,259
Food and nutritional..............	2,245,999	—	2,245,999	2,176,354
Health information................	1,311,218	—	1,311,218	1,218,713
Human resources..................	358,412	—	358,412	323,572
Information technology............	855,081	—	855,081	696,101
Laboratory......................	3,002,258	—	3,002,258	2,756,003
Materials management.............	1,073,989	—	1,073,989	1,021,414
Mental health....................	3,326,064	—	3,326,064	2,753,941
Nursing.........................	19,703,007	—	19,703,007	18,790,537
Pharmacy.......................	622,420	—	622,420	541,346
Plant and support................	2,682,676	—	2,682,676	2,363,590
Public health....................	1,022,490	—	1,022,490	909,723
Rehabilitation..................	818,384	—	818,384	743,870
Other programs..................	1,113,168	—	1,113,168	987,642
Employee future benefits...........	291,794	—	291,794	274,409
Amortization of property, plant and equipment..................	—	2,727,936	2,727,936	2,512,658
Interest.........................	—	—	—	71,589
Sundry.........................	220,615	10,753	231,368	1,620,670
	46,576,649	2,738,689	49,315,338	46,597,730
Excess (deficiency) of revenues over expenses before payment of 2001 operating deficiency.....	—	46,811	46,811	(231,893)
Department of Health funding of 2001 operating deficiency........	—	—	—	24,708
Excess (deficiency) of revenues over expenses.................. $	— $	46,811 $	46,811 $	(207,185)

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2003

ASSETS

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Current				
Cash and cash equivalents	$ 3,066,897	$ (593,976)	$ 2,472,921	$ —
Accounts receivable (Note 3)	3,782,592	2,036,242	5,818,834	8,706,335
Inventory	527,314	—	527,314	530,112
Prepaid expenses	271,056	—	271,056	390,850
	7,647,859	1,442,266	9,090,125	9,627,297
Long-term assets (Note 4)	2,771,412	—	2,771,412	2,622,371
Property, plant and equipment (Note 5)	—	26,684,172	26,684,172	26,824,463
	$ 10,419,271	$ 28,126,438	$ 38,545,709	$ 39,074,131

LIABILITIES

Current				
Bank indebtedness (Note 6)	$ —	$ —	$ —	$ 893,267
Accounts payable and accrued liabilities (Note 7)	6,224,464	822,561	7,047,025	6,873,638
Current portion of long-term debt (Note 8)	—	—	—	194,262
Revenue received in advance	1,694,226	—	1,694,226	1,683,722
	7,918,690	822,561	8,741,251	9,644,889
Long-term debt (Note 8)	—	—	—	357,335
Employee future benefits (Note 13)	2,492,217	—	2,492,217	2,256,131
Deferred capital grants (Note 9)	—	27,267,826	27,267,826	26,818,172
	10,410,907	28,090,387	38,501,294	39,076,527

FUND BALANCES

Restricted (Page 462)	8,364	—	8,364	8,364
Unrestricted (Page 462)	—	36,051	36,051	(10,760)
	8,364	36,051	44,415	(2,396)
	$ 10,419,271	$ 28,126,438	$ 38,545,709	$ 39,074,131

Commitments (Note 10)

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
For the Year Ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Restricted Fund Balances	$ 8,364	$ —	$ 8,364	$ 8,364
Unrestricted Fund Balances				
Balance, beginning of period......	—	(10,760)	(10,760)	196,425
Excess (deficiency) revenues over expenses (Page 460)............	—	46,811	46,811	(207,185)
Balance, end of period...........	—	36,051	36,051	(10,760)
Total Fund Balances..............	$ 8,364	$ 36,051	$ 44,415	$ (2,396)

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Cash Flows
For the Year Ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 15) 2002 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenses	$ —	$ 46,811	$ 46,811	$ (207,185)
Adjusted for:				
Amortization of property, plant and equipment (Page 460)	—	2,727,936	2,727,936	2,512,658
Amortization of deferred capital grants (Page 460)	—	(2,713,744)	(2,713,744)	(2,355,065)
Employee future benefits (Note 13)	291,794	—	291,794	274,409
Changes in non-cash working capital items (Note 12)	3,263,111	(69,127)	3,193,984	(1,469,212)
Payment of employee future benefits	(55,708)	—	(55,708)	(41,489)
	3,499,197	(8,124)	3,491,073	(1,285,884)
Financing				
Proceeds from capital grants (Note 9)	—	3,163,398	3,163,398	1,995,299
Repayment of long-term debt	—	(551,597)	(551,597)	(136,021)
	—	2,611,801	2,611,801	1,859,278
Investing				
Investment in long-term assets	(149,041)	—	(149,041)	(172,784)
Acquisition of property, plant and equipment	—	(2,587,645)	(2,587,645)	(2,470,689)
	(149,041)	(2,587,645)	(2,736,686)	(2,643,473)
Net cash inflow	3,350,156	16,032	3,366,188	(2,070,079)
(Bank indebtedness) cash and cash equivalents, beginning of period	(283,259)	(610,008)	(893,267)	1,176,812
Cash and cash equivalents (bank indebtedness), end of period	$ 3,066,897	$ (593,976)	$ 2,472,921	$ (893,267)

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's vision: "The people of the South Shore are united for our collective good health and well-being, making our community the health leader in Nova Scoita.

The facilities owned and operated by the District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queen's General Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Lunenburg and Queens counties and supports two (2) Community Health Boards.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South Shore District Health Authority's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and includes stores, pharmacy drugs, medical/surgical, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

f) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumtions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The Preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2003 Total	2002 Total
Department of Health				
Operating funding	$ 2,768,648	$ —	$ 2,768,648	$ 5,748,987
Transition support program	171,250	—	171,250	384,600
Capital grants	—	—	—	446,182
Patient care	400,900	—	400,900	314,727
HST rebates	125,677	117,846	243,523	359,621
Extended care facilities	34,911	—	34,911	25,926
Homecare/VON	37,493	—	37,493	47,692
Charitable foundations	90,768	1,910,673	2,001,441	892,524
Psychiatric recoveries	92,445	—	92,445	58,537
Federal grant funding	—	—	—	13,062
Other	60,500	7,723	68,223	414,477
	$ 3,782,592	$ 2,036,242	$ 5,818,834	$ 8,706,335

4. LONG-TERM ASSETS

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions, and accounts receivable from the Department of Health for employee future benefits.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Land and land improvements	$ 1,050,937	$ 637,423	$ 413,514	$ 384,452
Building and building service equipment	36,633,274	15,078,472	21,554,802	21,305,472
Equipment	26,924,979	22,515,412	4,409,567	4,666,889
Equipment under capital lease	1,313,835	1,007,546	306,289	467,650
	$ 65,923,025	$ 39,238,853	$ 26,684,172	$ 26,824,463

6. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $2.7 million. As well, the District Health Authority has available a capital line of credit in the amount of $675,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less 0.75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance (South Shore District Health Authority, South West District Health Authority, and the Annapolis Valley District Health Authority) was positive. Subsequent to year-end, capital bank indebtedness was elimiated through the collection of a receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2003 Total	2002 Total
Trade payables	$ 778,208	$ 73,607	$ 851,815	$ 896,922
Accrued liabilities	530,734	748,954	1,279,688	773,040
Vacation pay	2,726,643	---	2,726,643	2,431,683
Salary and benefits	2,149,826	---	2,149,826	2,736,759
Other	39,053	---	39,053	35,234
	$ 6,224,464	$ 822,561	$ 7,047,025	$ 6,873,638

8. LONG-TERM DEBT

	2003	2002
Obligations Under Capital Leases - repaid during the year	$ ---	$ 551,597
Current portion	---	(194,262)
	$ ---	$ 357,335

9. DEFERRED CAPITAL GRANTS

	2003	2002
Balance, beginning of period	$ 26,818,172	$ 27,177,938
Grant received for:		
Capital assets purchased	2,696,169	1,888,097
Future capital asset purchases	467,229	107,202
	29,981,570	29,173,237
Amortization of deferred capital grants	(2,713,744)	(2,355,065)
Balance, end of period	$ 27,267,826	$ 26,818,172

10. COMMITMENTS

Leases and Purchase Commitments

The South Shore District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2004	2005	2006	2007	2008
$ 722,648	$ 659,734	$ 358,745	$ 314,745	$ 266,182

11. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The South Shore District Health Authority bears no direct financial responsibility for any unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was $1,451,460.

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2003 Total	2002 Total
Accounts receivable	$ 3,422,447	$ (534,946)	$ 2,887,501	$ (2,940,617)
Inventory	2,798	---	2,798	35,661
Prepaid expenses	108,741	11,053	119,794	(187,692)
Accounts payable and accrued liabilities	(281,379)	454,766	173,387	1,577,072
Revenue received in advance	10,504	---	10,504	46,364
	$ 3,263,111	$ (69,127)	$ 3,193,984	$ (1,469,212)

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The most recent actuarial valuation was for the years ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were exprapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

Continuity Schedule	**2003**	**2002**
Liability, beginning of year	$ 2,256,131	$ 2,023,211
Current service costs	152,600	130,700
Interest on liability	148,100	138,100
Benefits paid out to retirees	(55,708)	(41,489)
Current year amortized loss (gain)	(8,906)	5,609
Liability, end of year	$ 2,492,217	$ 2,256,131

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2003 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 13.2 years. The net expenditure related to these employee future benefits was $291,794 (2002 - $ 274,409) for the year.

All accumulated liabilities of the retiring allowance program of the South Shore District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

14. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short - term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The South Shore District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

15. COMPARATIVE FIGURES

Certain comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 20, 2003

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Operations
for the year ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 16) 2002 Total
Revenue				
Department of Health funding	$ 47,574,517	$ —	$ 47,574,517	$ 45,899,965
Department of Veteran's Affairs	1,356,138	—	1,356,138	1,318,896
Patient	1,190,503	—	1,190,503	996,660
Physician funding	1,598,081	—	1,598,081	1,280,829
Program recoveries and sales	3,546,094	—	3,546,094	3,361,234
Amortization of deferred capital grants	—	3,317,295	3,317,295	2,726,949
Other	288,879	47,568	336,447	439,442
	55,554,212	3,364,863	58,919,075	56,023,975
Expenses				
Administration and support	2,067,450	—	2,067,450	1,535,185
Addiction	1,335,217	—	1,335,217	1,146,960
Diagnostic imaging	2,535,132	—	2,535,132	2,431,763
Environmental	2,579,410	—	2,579,410	2,431,610
Finance	693,138	—	693,138	540,833
Food & nutrition	4,097,355	—	4,097,355	3,808,072
Health information	1,390,090	—	1,390,090	1,162,927
Human resources	483,058	—	483,058	394,669
Information technology	1,357,401	—	1,357,401	1,029,964
Laboratory	3,922,466	—	3,922,466	3,627,358
Materials management	1,311,058	—	1,311,058	1,238,854
Mental health	3,077,215	—	3,077,215	2,955,107
Nursing	22,578,522	—	22,578,522	20,947,757
Pharmacy	561,070	—	561,070	514,671
Plant and support	4,426,676	—	4,426,676	3,667,460
Rehabilitation	778,680	—	778,680	671,999
Other programs	1,639,975	—	1,639,975	1,368,849
Public health	1,558,004	—	1,558,004	1,376,587
Employee future benefits	378,158	—	378,158	362,493
Amortization of property, plant and equipment	—	3,484,384	3,484,384	2,882,941
Sundry	267,876	18,973	286,849	2,056,932
	57,037,951	3,503,357	60,541,308	56,152,991
Deficiency of revenues over expenses before deficit funding	(1,483,739)	(138,494)	(1,622,233)	(129,016)
Operating deficit funding received from Department of Health	1,440,634	—	1,440,634	—
Department of Health funding of 2002 operating deficiency	—	—	—	42,492
Deficiency of revenues over expenses	$ (43,105)	$ (138,494)	$ (181,599)	$ (86,524)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2003

ASSETS

	Operating Fund	Capital Fund	2003 Total	(Note 16) 2002 Total
Current				
Cash and Cash Equivalents	$ 2,314,375	$ (617,968)	$ 1,696,407	$ —
Accounts receivable (Note 3)	4,335,135	3,891,338	8,226,473	8,712,393
Inventory	859,532	—	859,532	772,342
Prepaid expenses	338,990	11,094	350,084	376,815
	7,848,032	3,284,464	11,132,496	9,861,550
Long-term assets (Note 4)	3,890,345	—	3,890,345	3,499,853
Property, plant and equipment (Note 5)	—	64,578,604	64,578,604	58,290,683
	$ 11,738,377	$ 67,863,068	$ 79,601,445	$ 71,652,086

LIABILITIES

	Operating Fund	Capital Fund	2003 Total	2002 Total
Current				
Bank indebtedness (Note 6)	$ —	$ —	$ —	$ 347,294
Accounts payable and accrued liabilities (Note 7)	6,037,449	1,444,904	7,482,353	6,584,632
Current portion of long-term debt (Note 8)	—	—	—	5,448
Revenue received in advance	2,153,138	—	2,153,138	1,885,345
	8,190,587	1,444,904	9,635,491	8,822,719
Long-term debt (Note 8)	—	—	—	12,560
Employee future benefits (Note 13)	3,477,573	—	3,477,573	3,299,930
Deferred capital grants (Note 9)	—	65,994,542	65,994,542	58,841,439
	11,668,160	67,439,446	79,107,606	70,976,648

FUND BALANCES

	Operating Fund	Capital Fund	2003 Total	2002 Total
Restricted (Page 472)	70,217	10,645	80,862	80,862
Unrestricted (Page 472)	—	412,977	412,977	594,576
	70,217	423,622	493,839	675,438
	$ 11,738,377	$ 67,863,068	$ 79,601,445	$ 71,652,086

Commitments (Note 10)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
for the year ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 16) 2002 Total
Restricted Fund Balances	$ 70,217	$ 10,645	$ 80,862	$ 80,862
Unrestricted Fund Balances				
Balance, beginning of period. . .	43,105	551,471	594,576	681,100
Deficiency of revenues over expenses (Page 470). . . .	(43,105)	(138,494)	(181,599)	(86,524)
Balance, end of period.	---	412,977	412,977	594,576
Total Fund Balances.	$ 70,217	$ 423,622	$ 493,839	$ 675,438

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statements of Cash Flows
for the year ended March 31, 2003

	Operating Fund	Capital Fund	2003 Total	(Note 16) 2002 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Deficiency of revenues over expenses	$ (43,105)	$ (138,494)	$ (181,599)	$ (86,524)
Adjusted for:				
Amortization of property, plant and equipment (Page 470)	---	3,484,384	3,484,384	2,882,941
Amortization of deferred capital grants (Page 470)	---	(3,317,295)	(3,317,295)	(2,726,949)
Gain on disposal of property, plant and equipment	(47,560)	---	(47,560)	---
Employee future benefits (Note 13)	378,158	---	378,158	373,373
Changes in non-cash working capital items (Note 12)	2,603,379	(1,012,404)	1,590,975	1,277,882
Payment of employee future benefits	(200,515)	---	(200,515)	(126,950)
	2,690,357	(983,809)	1,706,548	1,593,773
Financing				
Proceeds from capital grants (Note 9)	---	10,470,398	10,470,398	2,840,610
Repayment of long-term debt	---	(18,008)	(18,008)	(5,448)
	---	10,452,390	10,452,390	2,835,162
Investing				
Investments in long-term assets	(390,492)	---	(390,492)	(370,366)
Acquisition of property, plant and equipment	---	(9,772,305)	(9,772,305)	(2,327,235)
Proceeds on disposal of property, plant and equipment	47,560	---	47,560	---
	(342,932)	(9,772,305)	(10,115,237)	(2,697,601)
Net cash inflow (outflow)	2,347,425	(303,724)	2,043,701	1,731,334
Bank indebtedness, beginning of period	(33,050)	(314,244)	(347,294)	(2,078,628)
Bank indebtedness, end of period	$ 2,314,375	$ (617,968)	$ 1,696,407	$ (347,294)

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's mission statement is to work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services.

The facilities owned and operated by the District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

b) Revenue Recognition

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and includes medical/surgical, drugs, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 20%

f) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2003 Total	2002 Total
Department of Health				
Operating funding.......	$ 2,145,069	$ —	$ 2,145,069	$ 3,559,593
Transition support program..	94,725	—	94,725	415,615
Capital grants...............	—	1,863,927	1,863,927	549,715
Patient care.................	252,329	—	252,329	220,241
HST rebates................	207,082	190,939	398,021	422,047
Extended care facilities........	1,487,143	—	1,487,143	1,602,161
Homecare/VON..........	46,911	—	46,911	54,965
Charitable foundations........	16,284	1,473,229	1,489,513	134,362
Psychiatric recoveries........	32,618	—	32,618	57,389
Other.....................	52,974	363,243	416,217	1,696,305
	$ 4,335,135	$ 3,891,338	$ 8,226,473	$ 8,712,393

4. LONG-TERM ASSETS

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions and accounts receivable from the Department of Health for employee future benefits.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value 2003	Net Book Value 2002
Land and land improvements	$ 862,453	$ 123,148	$ 739,305	$ 751,073
Building and building service equipment	81,215,667	22,776,716	58,438,951	54,223,453
Equipment	18,773,842	13,373,494	5,400,348	3,316,157
	$ 100,851,962	$ 36,273,358	$ 64,578,604	$ 58,290,683

6. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $3.2 million. As well, the District Health Authority has available a capital line of credit totalling $800,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance was positive. (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority). Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 2003	Total 2002
Trade payables	$ 1,399,854	$ 471,128	$ 1,870,982	$ 1,095,731
Accrued liabilities	849,656	973,776	1,823,432	764,894
Vacation pay	1,147,328	—	1,147,328	883,563
Salary and benefits	2,589,049	—	2,589,049	3,792,786
Other	51,562	—	51,562	47,658
	$ 6,037,449	$ 1,444,904	$ 7,482,353	$ 6,584,632

8. LONG-TERM DEBT

	2003	2002
Obligations Under Capital Leases - repaid during the year	$ —	$ 18,008
Current portion	—	(5,448)
	$ —	$ 12,560

9. DEFERRED CAPITAL GRANTS

	2003	2002
Balance, beginning of period	$ 58,841,439	$ 58,727,778
Grants received for:		
Capital assets purchased	8,774,722	2,603,710
Future capital asset purchases	1,695,676	236,900
	69,311,837	61,568,388
Amortization of deferred capital grants	(3,317,295)	(2,726,949)
Balance, end of period	$ 65,994,542	$ 58,841,439

10. COMMITMENTS

a) Leases and Purchase Commitments

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2004	2005	2006	2007	2008
$ 678,619	$ 636,665	$ 336,994	$ 281,805	$ 281,805

b) Yarmouth Redevelopment Project

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was $57.4 million. The District's remaining commitment is $1.3 million.

11. PENSION PLAN

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The South West Nova District Health Authority bears no direct financial responsibility for any unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was $1,588,570.

12. CHANGES IN WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 2003	Total 2002
Accounts receivable	$ 2,746,136	$ (2,260,216)	$ 485,920	$ 124,083
Inventory	(87,190)	—	(87,190)	(29,947)
Prepaid expenses	(35,069)	61,800	26,731	(162,473)
Accounts payable and accrued liabilities	(288,291)	1,186,012	897,721	1,260,572
Revenue received in advance	267,793	—	267,793	85,647
	$ 2,603,379	$ (1,012,404)	$ 1,590,975	$ 1,277,882

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were extrapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

Continuity Schedule	2003	2002
Liability, beginning of year	$ 3,299,930	$ 3,053,507
Current service costs	190,100	163,600
Interest on liability	205,500	200,800
Benefits paid out to retirees	(200,515)	(126,950)
Current year amortized actuarial loss	(17,442)	8,973
Liability, end of year	$ 3,477,573	$ 3,299,930

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2003 were calculated using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is caculated over the expected average remaining service life of the employee group covered by the plans, namely 12.6 years. The net expenditure related to these employee future benefits was $378,158 (2002 - $373,373) for the year.

All accumulated past liabilities from the retiring allowance program of the South West Nova District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

14. 2001 - 2002 OPERATING SURPLUS

Pursuant to Section 32 of Bill no. 34, "Where a District Health Authority realizes a budget surplus at the end of a fiscal year, the Minister of Health may authorize the authority to retain all or part of the surplus on such terms and conditions as the Minster considers appropriate". The Department of Health approved carry over of the 2001-2002 operating surplus, to be applied against operations in the 2002-2003 fiscal year.

15. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short-term invesments, accounts receivables and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The South West Nova District Health Authority performs a continuous eveluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

16. COMPARATIVE FIGURES

Certain comparitive figures shown in these financial statements have been reclassified to conform with the current years' presentation.

AUDITORS' REPORT

To the Chairperson and Members
of the Southwest Regional School Board

We have examined the Consolidated, Operating and Reserve Fund, Capital Fund, and Trust Fund balance sheets of the Southwest Regional School Board as at March 31, 2003, and the statements of operations for the year then ended. These financial statements are the responsibility of the Southwest Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Southwest Regional School Board as at March 31, 2003, and the results of its operations and the changes in its capital position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

GRANT THORNTON LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
June 19, 2003

SOUTHWEST REGIONAL SCHOOL BOARD

Consolidated Statement of Financial Position
As at March 31, 2003

FINANCIAL AND CAPITAL ASSETS

	2003	2002
Financial Assets		
Cash	$ —	$ 140,572
Restricted Cash	505,766	1,259,004
Accounts Receivable		
Province of Nova Scotia	4,244,022	1,563,214
Government of Canada	322,583	753,414
Municipalities	—	—
Other (Note 2)	693,152	934,818
Receivable - Retirement Allowance (Note 6)	5,748,000	5,234,000
Advances	—	—
Inventory	484,617	482,994
Prepaid expenses	591,335	467,898
Other Investments	—	—
Total Financial Assets	12,589,475	10,835,914
Capital Assets		
Total of Capital Assets (Note 3)	88,815,892	87,067,638
Financial and Capital Assets	$ 101,405,367	$ 97,903,552

LIABILITIES AND RETAINED EARNINGS

	2003	2002
Liabilities		
Bank Indebtedness	$ 50,086	$ —
Payables and Accruals - Trade	2,725,302	3,018,843
Payroll and Employee Deductions	2,618,951	505,699
Payables and Accruals - Government		
Province of Nova Scotia	475,691	240,117
Government of Canada	56,566	47,205
Municipalities	15,509	—
Other	—	—
Current portion of Long-term Debt	—	—
Deferred Revenue	164,998	302,440
Deferred Revenue - Capital	1,265,044	—
Retirement Obligations (Note 6)	5,748,000	5,234,000
Long-term debt	—	—
Total Liabilities	13,120,147	9,348,304
Retained Earnings		
Accumulated Amortization	85,097	—
Investment in Capital Assets	87,465,751	87,067,638
Unrestricted Retained Earnings	228,606	228,606
Reserves	505,766	1,259,004
Total Retained Earnings	88,285,220	88,555,248
Liabilities and Retained Earnings	$ 101,405,367	$ 97,903,552

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Operating and Reserve Statement of Financial Position
As at March 31, 2003

FINANCIAL AND CAPITAL ASSETS

	2003	2002
Financial Assets		
Cash	$ —	$ 140,572
Restricted Cash	505,766	1,259,004
Short - term Investments	—	—
Accounts Receivable		
Province of Nova Scotia	4,244,022	1,563,214
Government of Canada	322,583	753,414
Municipalities	—	—
Other (Note 2)	693,152	934,818
Receivable - Retirement Allowance (Note 6)	5,748,000	5,234,000
Advances	—	—
Inventory	484,617	482,994
Prepaid expenses	591,335	467,898
Other Investments	—	—
Total Financial Assets	12,589,475	10,835,914
Financial and Capital Assets	$ 12,589,475	$ 10,835,914

LIABILITIES AND RETAINED EARNINGS

	2003	2002
Liabilities		
Bank Indebtedness	$ 50,086	$ —
Payables and Accruals - Trade	2,725,302	3,018,843
Payroll and Employee Deductions	2,618,951	505,699
Payables and Accruals - Government		
Province of Nova Scotia	475,691	240,117
Government of Canada	56,566	47,205
Municipalities	15,509	—
Other	—	—
Current portion of Long-term Debt	—	—
Deferred Revenue	164,998	302,440
Retirement Obligations (Note 6)	5,748,000	5,234,000
Long-term debt	—	—
Total Liabilities	11,855,103	9,348,304
Retained Earnings		
Unrestricted Retained Earnings	228,606	228,606
Reserves	505,766	1,259,004
Total Retained Earnings	734,372	1,487,610
Liabilities and Retained Earnings	$ 12,589,475	$ 10,835,914

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Operations
Year Ended March 31, 2003

	Budget	2003 Actual	2002 Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 78,266,376	$ 78,921,340	$ 77,135,426
Government of Canada	1,044,541	1,162,501	1,115,594
Appropriations from Councils	18,148,000	18,147,993	17,897,807
Board Operations	1,077,568	1,077,598	1,186,544
Capital Revenue Recognition	—	85,097	—
Transfer from Reserves	—	774,992	58,511
	$ 98,536,485	$ 100,169,521	$ 97,393,882
Expenditures (Schedule B)			
Board Governance	$ 387,879	$ 351,011	$ 593,309
Regional Management	2,143,899	2,123,798	2,300,541
School Management and Support	9,345,172	10,569,316	8,005,137
Instruction and School Services	55,766,490	55,606,342	55,818,781
Student Support	9,759,807	9,740,004	9,152,408
Adult and Community Education	453,279	425,868	488,578
Property Services	11,950,817	11,154,112	11,217,583
Student Transportation	7,449,638	7,740,693	7,098,408
Other Programs	1,279,504	2,053,280	1,316,940
Interest - Service Awards - Teachers (Note 6)	—	320,000	333,000
Tangible Capital Asset Amortization	—	85,097	—
	$ 98,536,485	$ 100,169,521	$ 96,324,685
Excess of revenue over expenditures	$ —	$ —	$ 1,069,197
Transfer to Reserve - Future Operations	—	—	(1,069,197)
Excess of revenue over expenditures after transfer to reserves	$ —	$ —	$ —

Statement of Continuity of Surplus
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 228,606	$ 228,606
Annual operating surplus (deficit)	—	1,069,197
Transfer to Reserves	—	(1,069,197)
Transfer to prior year's deficit (surplus) to statement of operations	—	—
Balance, end of year	$ 228,606	$ 228,606

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Capital Fund Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Fixed Assets, at cost (Note 3)		
Land, buildings and improvements	$ 57,666,901	$ 57,666,901
Equipment and furnishings	17,920,260	17,920,260
School buses and other vehicles	11,878,590	11,480,477
	87,465,751	87,067,638
Fixed Assets, tangible capital assets (Note 3)		
Land, buildings and improvements	1,279,781	—
Equipment and furnishings	—	—
Other vehicles	70,360	—
	1,350,141	—
Total Capital Assets	$ 88,815,892	$ 87,067,638
LIABILITIES		
Deferred Capital Revenue		
Land, buildings and improvements	$ 1,215,792	$ —
Equipment and furnishings	—	—
Other vehicles	49,252	—
	$ 1,265,044	$ —
EQUITY		
Accumulated Amortization		
Land, buildings and improvements	$ 63,989	$ —
Equipment and furnishings	—	—
Other vehicles	21,108	—
	85,097	—
Investment in capital assets	87,465,751	87,067,638
	87,465,751	87,067,638
	$ 88,815,892	$ 87,067,638

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Tangible Assets
For the Year Ended March 31, 2003

	Buildings	Major Equipment	Vehicles	2003 Total	2002 Total
Cost of Tangible Assets					
Opening Costs	$ ---	$ ---	$ ---	$ ---	$ ---
Additions	1,279,781	---	70,360	1,350,141	---
Disposals	---	---	---	---	---
Closing Costs	1,279,781	---	70,360	1,350,141	---
Accumulated Amortization					
Opening Balance	---	---	---	---	---
Disposals	---	---	---	---	---
Amortization Expense	63,989	---	21,108	85,097	---
Closing Balance	63,989	---	21,108	85,097	---
Net Book Value	1,215,792	---	49,252	1,265,044	---
Opening Balance April 1, 2002	---	---	---	---	---
Closing Balance March 31, 2003	1,215,792	---	49,252	1,265,044	---
Increase (Decrease) In Net Book Value	$ 1,215,792	$ ---	$ 49,252	$ 1,265,044	$ ---

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 87,067,638	$ 84,820,399
Capital purchases		
Land, building and improvements	—	1,851,035
Equipment and furnishings	—	160,666
	—	2,011,701
School bus and motor vehicle dispositions	(737,995)	(673,380)
School buses and motor vehicles	1,136,108	908,918
Motor Vehicles	—	—
	398,113	235,538
Balance, end of year	$ 87,465,751	$ 87,067,638

Statement of Continuity of Tangible Capital Assets
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ —	$ —
Capital purchases		
Building and improvements	1,279,781	—
Equipment and furnishings	—	—
Motor vehicles	70,360	—
	1,350,141	—
Accumulated amortization		
Building and improvements	63,989	—
Equipment and furnishings	—	—
Motor vehicles	21,108	—
	85,097	—
Balance, end of year	$ 1,265,044	$ —

Statement of Continuity of Reserves
March 31, 2003

	Balance Beginning of Year	Transfer To/ from Operating Fund	Interest Revenue	Balance End of Year
Future projects	$ 189,808	$ 188,814	$ 3,392	$ 4,386
South Shore District School Board	681,188	343,449	11,491	349,230
TriCounty District School Board	388,008	242,729	6,871	152,150
	$ 1,259,004	$ 774,992	$ 21,754	$ 505,766

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenues
Year Ended March 31, 2003

	Budget	2003 Actual	2002 Actual
Province of Nova Scotia			
Operating	$ 68,061,800	$ 68,061,790	$ 67,[illegible],591
Restricted	7,013,806	8,087,808	7,739,892
Capital	1,282,200	1,419,033	---
Other	1,908,570	2,192,991	1,751,943
Recoveries	---	509,859	---
Revenue to Deferred - Capital	---	(1,350,141)	---
	78,266,376	78,921,340	77,135,426
Government of Canada			
HRDC	45,318	143,726	113,560
Other	710,823	709,938	720,080
First Nations	288,400	308,837	281,953
	1,044,541	1,162,501	1,115,593
Appropriations from Councils	18,148,000	18,147,993	17,897,807
	18,148,000	18,147,993	17,897,807
Board Operations			
Board Generated Revenue - Other Revenue	932,568	956,602	937,202
Interest/Investment	145,000	93,606	169,342
Sale of Assets	---	13,790	125
Non-Government Grants	---	13,600	79,874
	1,077,568	1,077,598	1,186,543
Capital Revenue Recognition	---	85,097	---
	---	85,097	---
Transfer From Reserves/Surplus	---	774,992	58,511
	---	774,992	58,511
Total Revenue	$ 98,536,485	$ 100,169,521	$ 97,393,880

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Year Ended March 31, 2003

	Budget	2003 Actual	2002 Actual
Board Governance			
Salaries	$ 249,062	$ 215,481	$ 286,784
Benefits	9,517	12,153	14,216
Travel	46,900	57,228	51,012
Supplies/Material	45,600	28,718	64,853
Professional Development	36,800	37,431	180,121
Elections	---	---	(3,677)
Total Board Governance	387,879	351,011	593,309
Regional Management			
Salaries	1,046,449	1,090,949	1,120,664
Benefits	185,202	177,954	193,884
Travel	82,335	89,957	71,467
Professional Services - Legal/Audit	118,700	90,148	161,252
Contracted Services	128,900	118,683	148,919
Repairs/Maintenance	55,500	58,858	71,236
Supplies/Materials	235,000	232,882	266,871
Utilities	34,850	35,472	31,669
Professional Development	77,200	43,130	22,997
NSSBA Dues	68,000	67,817	67,817
Bank/Interest Costs	2,000	3,818	110
Insurance	109,763	114,130	143,655
Total Regional Management	2,143,899	2,123,798	2,300,541
School Management and Support			
Salaries	7,639,758	8,809,680	6,196,179
Benefits	354,116	366,176	315,553
Travel	92,497	130,147	101,137
Contracted Services	100,389	131,440	2,203
Repairs/Maintenance	85,000	99,217	235,131
Supplies/Materials	607,712	598,584	786,678
Professional Development	465,700	434,072	368,256
Total School Management and Support	9,345,172	10,569,316	8,005,137
Instruction and School Services			
Salaries	49,449,945	49,689,830	50,320,085
Benefits	3,157,899	3,166,967	2,940,198
Retirement allowances - board paid	---	14,817	157,264
Retirement allowances - current service	792,000	386,000	227,000
Travel	40,400	37,923	39,463
Contracted Services	---	355,375	325,059
Repairs/Maintenance	---	70,116	109,487
Supplies/Materials	2,326,246	1,885,314	1,700,225
Total Instruction and School Services	$ 55,766,490	$ 55,606,342	$ 55,818,781

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2003

		2003	2002
	Budget	Actual	Actual
Student Support			
Salaries	$ 8,821,787	$ 8,857,666	$ 8,278,029
Benefits	789,529	798,225	743,396
Travel	74,590	78,907	67,612
Supplies/Materials	44,306	(18,490)	37,746
Professional Development	29,595	23,696	25,625
Total Student Support	9,759,807	9,740,004	9,152,408
Adult and Community Education			
Salaries	385,904	362,116	358,744
Benefits	36,681	35,410	42,406
Travel	2,770	3,888	1,529
Contracted Services	5,508	8,036	1,051
Repairs/Maintenance	---	---	28,663
Supplies/Materials	20,916	15,615	27,272
Utilities	---	---	28,822
Professional Development	1,500	803	91
Total Adult Ed and Community Education	453,279	425,868	488,578
Property Services			
Salaries	4,485,267	4,368,950	3,996,106
Benefits	681,051	677,718	615,671
Travel	16,142	20,963	22,846
Contracted Services	452,108	670,063	461,541
Repairs/Maintenance	2,980,835	3,044,625	2,869,352
Vehicle Expenses	123,208	119,504	153,720
Supplies/Materials	342,052	373,945	437,336
Utilities	2,841,532	3,204,945	2,526,374
Professional Development	13,500	5,934	8,679
Insurance	408,400	410,899	246,921
Recoveries	(393,278)	(393,293)	(120,963)
Expenditures transferred to TCA	---	(1,350,141)	---
Total Property Services	11,950,817	11,154,112	11,217,583
Student Transportation			
Salaries	4,328,544	4,323,340	4,257,136
Benefits	774,566	706,937	705,504
Travel	169,862	172,025	163,488
Contracted Services	119,008	28,777	54,587
Repairs/Maintenance	58,284	101,056	44,438
Vehicle Maintenance	1,510,762	1,855,104	1,446,125
Conveyance	118,200	110,466	93,824
Supplies/Materials	149,340	182,770	192,383
Utilities	58,189	67,762	54,536
Professional Development	17,600	20,049	16,285
Insurance	145,283	172,407	70,102
Total Student Transportation	$ 7,449,638	$ 7,740,693	$ 7,098,408

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2003

	Budget	2003 Actual	2002 Actual
Other Programs			
Salaries	$ 763,230	$ 798,942	$ 742,743
Benefits	77,384	56,907	50,391
Travel	610	21,014	4,040
Contracted Services	—	25,914	—
Repairs/Maintenance	—	325,017	672
Supplies/Materials	438,080	790,047	477,151
Professional Development	200	35,439	41,943
Total Other Programs	1,279,504	2,053,280	1,316,940
Interest Expense			
Interest - Service Awards - Teachers	—	320,000	333,000
Total Interest Expense	—	320,000	333,000
Tangible Capital Asset Amortization			
Buildings	—	63,989	—
Vehicles	—	21,108	—
Total Interest Expense	—	85,097	—
Total Expenditures	$ 98,536,485	$ 100,169,521	$ 96,324,685

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Notes to the Financial Statements
March 31, 2003

1. Accounting principles

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

Inventories

Garage parts and tire inventories are recorded at cost. All other supplies and purchases are expensed.

Financial statement presentation

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

Expenditure recognition

Expenditures other than salaries are recorded on an accrual basis. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

Capital equipment and school buses

Fixed assets are recorded at cost. Assets received from the various boards as at January 1, 1982, under the agreement creating the Southwest Regional School Board, are treated as additions to investments in fixed assets. Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing, however buses are recorded as capital assets but are not amortized.

2. Receivables

	2003	2002
NSSRA - NSTU Sal Con Insurance (Note 5)	$ 250,000	$ 250,000
First Nations Band Councils	6,289	34,338
Other	436,863	650,480
	$ 693,152	$ 934,818

3. Capital Fund Assets

Prior to the formation of the Southwest Regional School Board, certain municipal units had joined to form District School Boards. Under various agreements, land and school buildings on hand remained assets of the appropriate municipal units but were under the operational control of the District School Boards until such time as the Board no longer required the assets for school purposes. At that time, control reverted back to the appropriate municipality. These agreements will now remain in force with the Southwest Regional School Board.

The Southwest Regional School Board has a vested interest in capital improvements to school buildings. Under the Education Act, should a municipal unit sell a building returned to it by the Board under the circumstances noted above, a portion of the proceeds will be payable to the Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds will similarly be payable to the Board. In 2003 the board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds for recording capital assets. Only those assets meeting the thresholds were recorded as additions in 2003. Assets were amortized in accordance with the criteria prescribed by the Department of Education. The board has not recorded amortization on any tangible capital assets acquired prior to March 31, 2002.

4. Pension plans

The Board makes payments into the following pension plans:

Lunenburg District - C.U.P.E. staff and support staff non-teaching defined benefit plans.
Queens District - Non-teaching staff money purchase plan and defined benefit plan.
Shelburne District - Non-teaching staff money purchase plan and defined benefit plan.
Yarmouth District - Non-teaching staff money purchase plan and undivided registered retirement savings plan.
Digby District - Non-teaching staff defined benefit plan.

The various pension plans for non-teaching staff are:

Defined Benefit Plans	RRSP
Standard Life	Clerica - Queens
Maritime Life - Lunenburg	Great West Life
Maritime Life - Queens	CIBC
Maritime Life - Shelburne	
London Life - Yarmouth	
Sun Life - Yarmouth	
Maritime Life - Digby	

Recent actuarial reports have not been prepared for these various plans and therefore no balances have been reflected in these financial statements. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers Pension Act.

5. Contingencies

Receivable

Included in receivables is $250,000 due from the Trustees of the Teachers Long-Term Liability Plan. This has been outstanding for a number of years and the Board cannot make a determination of the amount of likelihood of any write-down that might be required upon settlement with the Province.

Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

6. Commitments

Service awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teacher's Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Digby District - $80 per year of service
Queens District - 0.45 of one percent of a TC5 - MAX per year of service
Shelburne District - $90 per year of service
Yarmouth District - 0.75 of one percent of annual salary per year of service
Lunenburg District - $200 per year of service - Maximum $7,000
Clare/Argyle District - 0.60 of one percent of annual salary per year of service

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Southwest Regional School Board the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers.

Continuity of Retirement Allowance Liability

Actuarial liability, beginning of year	$ 5,091,000	$ 4,821,000
Beginning unamortized gain/(loss), liability	143,000	---
Beginning balance per financial statements	5,234,000	4,821,000
Current service cost (Retiring allowance expense)	397,000	227,000
Amortization of experience gains/losses	(11,000)	---
Retiring allowance expense	386,000	227,000
Estimated benefits paid	(192,000)	(147,000)
Interest expense - Service Awards - Teachers	320,000	333,000
Ending balance per Balance Sheet	5,748,000	5,234,000
Reconciliation to actuarial report:		
Per actuaries	6,041,000	5,091,000
Unamortized gain/(loss)	(293,000)	143,000
	$ 5,748,000	$ 5,234,000

P-3 Operating Expenses

Forest Ridge Academy, Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. Meadowfields Community School had been opened in the 1999/2000 school year. All payments for P3 leases are made by the Province to the private partner and contain both capital and operating component.

Energy Management Contract

The Southwest Regional School Board has entered into an energy management contract with Nova Scotia Power Services Limited. The School Board is required to pay $5,848 per month until the contract expires July 2005.

7. Board Restructuring

The Southwest Regional School Board was restructured into two districts - The South Shore District School Board and the Tri County District School Board during the fiscal year 2000/2001. The Southwest Regional School Board is responsible for operational issues and the two school districts are responsible for educational issues.

8. Comparative Balances

Comparative figures have been restated to conform with the accounting policy change for retirement allowances as well as implementation of the SAP Financial Accounting System on April 1, 2002.

SOUTHWEST REGIONAL SCHOOL BOARD

Trust Funds Balance Sheet
March 31, 2003

	2003	2002
Assets		
Cash	$ 802,931	$ 469,023
Equity		
Estate of Marjorie E. Jones	$ 15,531	$ 15,165
Digby Community Theatre	4,162	4,064
CUPE Pension Fund	390,245	189,216
Reserve for scholarships		
Teachers' Scholastic Scholarship	5,229	6,324
Forbes Mountain Scholarship	532	519
Josephine Christie Fredea Award	1,524	1,563
South Shore District Memorial Scholarship	4,254	4,352
Murray Barkhouse Scholarship Fund	3,405	3,029
Robert Hirtle Memorial Fund	1,184	1,371
Dr. K.C. Ghandi Marfatia Scholarship Fund	11,314	11,294
W.G.L. Hirtle Scholarship	10,307	10,559
Elinor Muir Leary Scholarship	10,003	10,361
Irene and Derrell Ernst Scholarship	5,139	5,314
David Lowe Scholarship	7,672	7,934
Clara Quinlan Scholarship	5,091	5,264
Monte Oickle Scholarship	4,748	4,982
Cameron Smith Memorial	162	159
Paul Eisnor Memorial	450	439
Austin Nauss Scholarship	1,321	1,587
Rodney Veinot Memorial	2,379	2,619
Timothy Daniels Memorial	3,910	3,819
Sylvia Weagle Bursary	28,324	29,246
Dr. J.C. Wickwire	2,203	2,646
Augusta Nickerson	13,646	13,825
J. Pask Memorial	130	127
Maragaret Ernst MacLeod	3,825	3,735
Elsie Hemeon Fund	524	512
Stay-in-School Bursary	157	153
F. Dakin and P. Dakin Dickson	44,921	44,845
Dr. Charles and Mary Webster	31,639	21,752
Erma Westhaver Loomis	36,280	36,415
Yarmouth District Scholarship Society		
Unassigned	3,658	3,572
Samuel Margolian Trust - Yarmouth High	4,981	5,035
Samuel Margolian Trust - St. Ambrose	4,981	5,035
Churchill Trust	1,529	1,592
Loraleis Trust	1,556	1,579
Blackader - Kirk Trust	2,434	2,871
Olson	2,857	2,987
Andrew Maxwell	3,036	3,162
Atlantic Philanthropy	7,415	—
Colleen Finck Memorial	120,273	—
	$ 802,931	$ 469,023

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds
For the Year Ended March 31, 2003

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Estate of Marjorie E. Jones	$ 15,165	$ ---	$ ---	$ 366	$ ---	$ 15,531
Digby Community Theatre Fund	4,064	---	---	98	---	4,162
CUPE Pension Fund	189,216	194,089	---	6,940	---	390,245
Teachers Scholastic	6,324	6,433	---	162	(7,690)	5,229
Forbes Mountain	519	---	---	13	---	532
J.C. Fredea Award	1,563	---	75	36	(150)	1,524
South Shore District Memorial	4,352	---	1,300	102	(1,500)	4,254
M. Barkhouse Scholarship Fund	3,029	---	300	76	---	3,405
Robert Hirtle Memorial Fund	1,371	---	780	33	(1,000)	1,184
Dr. K.C. Marfatia Ghandi	11,294	---	---	270	(250)	11,314
W.G.L.Hirtle	10,559	---	---	248	(500)	10,307
Elinor Muir Leary	10,361	---	---	242	(600)	10,003
Irene/Derrell Ernst	5,314	---	---	125	(300)	5,139
David Lowe	7,934	---	---	188	(450)	7,672
Clara Quinlan	5,264	---	---	127	(300)	5,091
Monte Oickle	4,982	---	---	116	(350)	4,748
Cameron Smith	159	---	---	3	---	162
Paul Eisnor	439	---	---	11	---	450
Austin Nauss	1,587	---	300	34	(600)	1,321
Rodney Veinot	2,619	---	---	60	(300)	2,379
Timothy Daniels	3,819	---	500	91	(500)	3,910
S Weagle Bursary	29,246	---	---	678	(1,600)	28,324
Dr J.C. Wickwire	2,646	---	---	57	(500)	2,203
Balance forward	$ 321,826	$ 200,522	$ 3,255	$ 10,076	$ (16,590)	$ 519,089

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds (Continued)
For the Year Ended March 31, 2003

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Balance carried forward	$ 321,826	$ 200,522	$ 3,255	$ 10,076	$ (16,590)	$ 519,089
Augusta Nickerson	13,825	---	---	321	(500)	13,646
J. Pask Memorial	127	---	---	3	---	130
M. Ernst MacLeod	3,735	---	---	90	---	3,825
Elsie Hemeon	512	---	---	12	---	524
Stay-in-School Bursary	153	---	---	4	---	157
F. Dakin/P. Dakin Dickson	44,845	---	---	1,076	(1,000)	44,921
Dr. Charles/Mary Webster	21,752	---	10,000	637	(750)	31,639
Erma Westhaver Loomis	36,415	---	---	865	(1,000)	36,280
Yarmouth District Scholarship Society						
Unassigned	3,572	---	---	86	---	3,658
S. Margolian Trust - Yarmouth High	5,035	---	---	119	(173)	4,981
S. Margolian Trust - St. Ambrose	5,035	---	---	119	(173)	4,981
Churchill Trust	1,592	---	---	37	(100)	1,529
Loraleis Trust	1,579	---	---	37	(60)	1,556
Blackader - Kirk Trust	2,871	---	---	63	(500)	2,434
Olson Trust	2,987	---	---	70	(200)	2,857
Andrew Maxwell	3,162	---	---	74	(200)	3,036
Atlantic Philanthrophy	---	15,091	---	94	(7,770)	7,415
Colleen Finck Memorial	---	119,857	---	416	---	120,273
	$ 469,023	$ 335,470	$ 13,255	$ 14,199	$ (29,016)	$ 802,931

See accompanying notes to the financial statements.

AUDITOR'S REPORT

To the Chairman and Members of the Board of
The Strait Regional School Board

We have audited the balance sheet of the Strait Regional School Board as at March 31, 2003, and the consolidated statements of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003, and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

Grant Thornton LLP
Chartered Accountants

Port Hawkesbury, Nova Scotia
May 8, 2003

STRAIT REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 168,332	$ 3,050
Receivables	8,050,668	8,880,301
Prepaids	544,935	431,700
	8,763,935	9,315,051
Capital assets		
School buildings and improvements	28,452,553	31,613,947
Buses and other vehicles	1,742,267	2,449,477
Equipment and furnishings	2,028,157	2,535,197
	32,222,977	36,598,621
	$ 40,986,912	$ 45,913,672

LIABILITIES

	2003	2002
Current		
Bank indebtedness (Note 5)	$ —	$ 3,106,757
Payables and accruals	3,313,975	1,197,098
Deferred revenues	333,556	285,965
Retirement service awards (Note 3)	4,361,120	4,299,000
	8,008,651	8,888,820

EQUITY

	2003	2002
Surplus - general fund (Page 499)	755,284	426,231
Investment in capital assets (Page 500)	32,222,977	36,598,621
	32,978,261	37,024,852
	$ 40,986,912	$ 45,913,672

Contingencies and commitments (Note 8)

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Consolidated Statement of Operations
Year Ended March 31, 2003

	2003		2002
	Budget	**Actual**	**Actual**
Revenue			
Province of Nova Scotia	$ 49,074,173	$ 50,738,134	$ 50,972,584
Government of Canada	118,250	163,177	159,353
Local First Nations	950,000	855,887	1,027,809
Municipal contributions	10,480,600	10,480,596	10,208,800
Other revenues	2,721,396	3,150,318	3,649,096
	63,344,419	65,388,112	66,017,642
Expenditure			
Board governance	269,777	263,617	253,529
Regional management	2,207,746	2,321,300	2,414,975
School management and support	6,295,233	5,788,723	5,712,433
Instructional and school services	33,653,549	34,515,708	34,075,015
Student support	6,605,936	6,129,775	6,129,287
Property services	8,559,459	9,373,527	10,311,031
Student transportation	5,820,091	5,793,628	5,604,582
Other programs	75,000	621,781	573,093
Interest expense	—	251,000	279,000
	63,486,791	65,059,059	65,352,945
Annual operating surplus (deficit)	(142,372)	329,053	664,697
Prior year's (deficit) surplus	142,372	426,231	(238,466)
Excess of revenue over expenditure	$ —	$ 755,284	$ 426,231

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

General Fund Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 168,332	$ 3,050
Receivables		
Province of Nova Scotia	6,348,704	6,070,371
Municipal councils	—	450,203
Government of Canada	169,904	425,549
Local First Nations	847,408	1,369,379
Other	684,652	564,799
Prepaids	544,935	431,700
	$ 8,763,935	$ 9,315,051

LIABILITIES

	2003	2002
Current		
Bank indebtedness (Note 5)	$ —	$ 3,106,757
Payables and accruals-trade	3,096,989	821,584
Payables and accruals-government		
Province of Nova Scotia	191,944	375,514
Municipalities	18,033	—
Government of Canada	7,009	—
Deferred revenues	333,556	285,965
Retirement service awards (Note 3)	4,361,120	4,299,000
	8,008,651	8,888,820

EQUITY

	2003	2002
Surplus	755,284	426,231
	$ 8,763,935	$ 9,315,051

General Fund
Statement of Continuity of Surplus
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 426,231	$ (238,466)
Annual operating surplus (deficit)	755,284	426,231
Transfer of prior year's deficit (surplus) to statement of operations	(426,231)	238,466
Balance, end of year	$ 755,284	$ 426,231

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Capital Fund
Balance Sheet
March 31, 2003

ASSETS

	2003	2002
School buildings and improvements	$ 28,452,553	$ 31,613,947
Buses and other vehicles	1,742,267	2,449,477
Equipment and furnishings	2,028,157	2,535,197
	$ 32,222,977	$ 36,598,621

EQUITY

	2003	2002
Investment in capital assets (See below)	$ 32,222,977	$ 36,598,621

Capital Fund
Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2003

	2003	2002
Balance, beginning of year	$ 36,598,621	$ 40,983,114
Capital purchases out of revenue		
Buses and other vehicles	39,476	39,693
School building and improvements	---	772,050
	36,638,097	41,794,857
Capital assets written off and depreciation provision	4,415,120	5,196,236
	$ 32,222,977	$ 36,598,621

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Notes to the Consolidated Financial Statements
March 31, 2003

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond and Antigonish counties.

2. Significant accounting policies

(a) Basis of accounting and consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for some salaries, which are recorded as an expense when paid.

(b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. In previous years, all improvements to schooi properties and acquisitions of furniture and equipment are recorded at cost. Assets are depreciated at the following rates using the declining balance method:

Buildings	10%
Equipment	20%
Vehicles	30%

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982, remain assets of the muncipality but are under the operational control of the Board until such time as the Board no longer requires the asset for school purposes. At that time control will revert back to the municipal councils.

(c) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

3. Retirement service awards

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

4. Pension plans

Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

5. Bank indebtedness

The Board has an operating line of credit of $600,000.

6. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

7. Comparative figures

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

8. Contingencies and commitments

Recoveries

The Board is attempting to recover certain amounts that had previously been expended. The amount and likelihood of recovery is unknown at this time.

9. Trust fund equity

	Equity 2002	Donations & Income	Awards	Equity 2003
Catherine Avery Bursary	$ 1,707	$ 76	$ —	$ 1,783
Allistair Fraser Award	9,529	425	1,000	8,954
Ray Caldwell Scholarship	5,527	246	400	5,373
Dorothy Jost Drysdale Scholarship	2,262	101	100	2,263
Roy Fanning-Hillside Bursary	13,309	593	1,400	12,502
Norman Grant Scholarship	19,985	890	—	20,875
Carol Long Scholarship	9,851	439	250	10,040
NSP Employees Scholarship	17,858	796	600	18,054
James Russell Scholarship	2,685	120	400	2,405
Mulgrave Bursary Fund	1,721	77	—	1,798
Bertha Morgan Scholarship	1,009	45	—	1,054
Henry Marshall Tory Prize	58,337	2,600	2,000	58,937
Paul Hendsbee Memorial	1,287	57	250	1,094
Donald Archibald Memorial	994	44	—	1,038
Neil & Eileen MacIsaac Bursary	2,500	104	104	2,500
Thomas Williams Prize	5,000	200	200	5,000
Tina Munro Hickey Prize	10,000	555	550	10,005
Jesse Sceles Memorial	2,001	90	—	2,091
	$ 165,562	$ 7,458	$ 7,254	$ 165,766

STRAIT REGIONAL SCHOOL BOARD

General Fund
Detail of Revenue
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia			
Operating	$ 44,565,673	$ 45,239,933	$ 44,534,504
Restricted	4,192,300	4,245,953	3,684,988
Capital	195,700	523,983	1,046,871
Special programs and projects	120,500	728,265	1,706,221
	$ 49,074,173	$ 50,738,134	$ 50,972,584
Government of Canada			
Secretary of State	$ 118,250	$ 163,177	$ 159,353
Board operations			
Board generated - other	$ 5,000	$ 125,447	$ 5,948
Other revenue - schools	120,000	169,860	771,365
Tuition - students	---	33,650	---
Rentals	98,500	85,116	117,111
Investment income	50,000	67,019	62,210
Recoveries - non-governmental	2,447,896	2,669,226	2,692,462
	$ 2,721,396	$ 3,150,318	$ 3,649,096

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

General Fund
Details of Expenditure
Year Ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Board Governance			
Board members	$ 187,824	$ 183,278	$ 173,213
Board secretary	29,953	29,996	29,878
NSSBA and other	52,000	50,343	50,438
	$ 269,777	$ 263,617	$ 253,529
Regional Management			
Management services	$ 1,070,459	$ 1,052,627	$ 1,441,181
Financial services	645,835	673,316	603,409
Human resource services	420,415	516,360	295,523
Communication services	71,037	78,997	74,862
	$ 2,207,746	$ 2,321,300	$ 2,414,975
School Management and Support			
School management	$ 4,668,175	$ 4,429,842	$ 4,371,398
Program and curriculum support	1,099,764	903,567	905,905
ITS-site specific	527,294	455,314	435,130
	$ 6,295,233	$ 5,788,723	$ 5,712,433
Instructional and School Services			
Instruction	$ 32,072,052	$ 32,824,278	$ 32,400,608
Guidance services	808,836	927,600	875,326
Library services	772,661	763,830	799,081
	$ 33,653,549	$ 34,515,708	$ 34,075,015
Student Support			
Program management	$ 236,465	$ 254,342	$ 255,155
Instruction	5,658,804	5,370,145	5,505,554
Program and curriculum support	710,667	505,288	368,578
	$ 6,605,936	$ 6,129,775	$ 6,129,287
Property Services			
Management services	$ 324,104	$ 238,330	$ 308,882
Custodial services	3,586,154	3,492,696	3,393,651
Maintenance services	4,425,343	5,288,021	6,379,346
Grounds services	223,858	354,480	229,152
	$ 8,559,459	$ 9,373,527	$ 10,311,031
Student transportation			
Management services	$ 453,371	$ 459,438	$ 466,099
Transportation (Board)	4,611,496	4,577,536	4,342,552
Maintenance (Board)	662,224	669,166	716,662
Transportation (Contract)	90,000	85,478	76,031
Site maintenance	3,000	2,010	3,238
	$ 5,820,091	$ 5,793,628	$ 5,604,582

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Trust Fund Balance Sheet
March 31, 2003

ASSETS

	2003	2002
Cash	$ 165,766	$ 165,562

EQUITY

	2003	2002
Equity in trust funds (Note 9)	$ 165,766	$ 165,562

See accompanying notes to the consolidated financial statements.

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

We have audited the operating fund balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 2003 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles except as disclosed in Note 3.

Nash & Associates
Chartered Accountant

May 12, 2003

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Balance Sheet
as at March 31, 2003

ASSETS

	2003	2002
Current		
Cash	$ 231,062	$ —
Accounts receivable (Note 4)	189,682	278,613
Prepaid expenses	2,480	6,854
	$ 423,224	$ 285,467

LIABILITIES

	2003	2002
Current		
Bank indebtedness	$ —	$ 137,792
Accounts payable and accrued liabilities	334,001	147,675
Due to Province of Nova Scotia (Note 5)	89,222	—
	423,223	285,467

EQUITY

	2003	2002
Share capital (Note 8)	1	1
	$ 423,224	$ 285,468

Commitments (Note 7)

Statement of Revenue and Expenditures
Year Ended March 31, 2003

	2003	2002
Revenue		
Province of Nova Scotia		
Operations	$ 1,164,038	$ 1,243,024
Site security and other community costs	512,224	473,033
Asbestos Abatement Project	—	178,685
Sydney Steel site decommissioning	2,824,819	1,518,812
	4,501,081	3,413,554
Expenditures		
Operations (Schedule 1)	1,164,038	1,243,024
Site security and other community costs		
Wages and benefits	298,780	327,082
Supplies and services	213,444	145,951
Asbestos Abatement Project		
Wages and benefits	—	127,938
Supplies and services	—	50,747
Sydney Steel site decommissioning		
Wages and benefits	2,403,543	1,031,047
Supplies and services	421,276	487,765
	4,501,081	3,413,554
Excess revenue over expenditures	$ —	$ —

Notes to the Financial Statements
Year Ended March 31, 2003

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean-Up Inc. to Sydney Environment Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below.

a) Financing

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the Company does not have any equity.

b) Capital Assets

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. ACCOUNTS RECEIVABLE

	2003	2002
Sydney Steel site decommissioning	$ 155,290	$ 145,139
HST receivable	18,114	69,638
Province of Nova Scotia	—	34,517
Other	16,278	29,319
	$ 189,682	$ 278,613

5. PROVINCE OF NOVA SCOTIA FUNDING

The Company received the following amounts from the Province of Nova Scotia in the year:

	2003	2002
Current operating grant	$ 1,164,038	$ 1,243,024
Asbestos Abatement Project	—	102,525
Site security and other community costs	512,224	473,033
	$ 1,676,262	$ 1,818,582

As at March 31, 2003 there was a net payable to the Province of Nova Scotia for funding received in excess of expenditures of $89,222 (2002 - $34,517 receivable).

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions in Note 5 above, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

7. COMMITMENTS

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sydney Steel Corporation

The Company has undertaken to hire displaced Sydney Steel Corporation employees.

8. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued 1 Share at $1	$ 1

Schedule 1

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Operating Expenditures
Year Ended March 31, 2003

	2003	2002
Operating expenditures		
Directors' fees	$ 12,719	$ 15,226
Health, safety and environmental	71,977	144,260
Incineration plant operation and maintenance	14,049	16,967
Incineration plant overhead	217,834	201,052
Office	35,253	32,728
Professional fees	19,368	28,681
Public information	35,184	48,628
Rent	30,000	30,000
Salaries and benefits	660,138	636,441
Technical services	43,103	67,696
Telephone	10,783	9,927
Travel	13,630	11,418
	$ 1,164,038	$ 1,243,024

AUDITORS' REPORT

To the Shareholder of
Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation ("the Corporation") as at March 31, 2003 and the statement of changes in net assets in liquidation for the 15 - months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the changes in net assets in liquidation for the 15 - months then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by other auditors.

PricewaterhouseCoopers LLP
Chartered Accountants

May 12, 2003

SYDNEY STEEL CORPORATION

Balance Sheet
As at March 31, 2003

ASSETS

	March 31, 2003	December 31, 2001
	(in thousands)	
Current assets:		
Cash	$ 16,012	$ 24,300
Accounts receivable - trade	1,417	1,506
Receivable from Province of Nova Scotia	22,662	5,747
Inventory	188	4,399
Prepaid Expenses	340	230
	40,619	36,182
Property, plant and equipment (Note4):	747	1
	$ 41,366	$ 36,183

LIABILITIES

	March 31, 2003	December 31, 2001
Current liabilities		
Trade payables	$ 1,659	$ 2,133
Deposits and holdbacks payable	2,572	3,570
Property taxes payable	---	1,020
Wages, benefits and severance costs	---	175
	4,231	6,898
Net assets in liquidation	$ 37,135	$ 29,285

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Statement of Changes in Net Assets in Liquidation
For the 15 - months ended March 31, 2003

	Closure activities	Demolition and remediation activities	Continuing activities	Total 2003 (15 months)	Total December 31, 2001
			(in thousands)		
Increases in net assets in liquidation					
Sale of scrap steel........	$ 10,044	$ 3,558	$ —	$ 13,602	$ —
Contributions from Province of Nova Scotia (note 3)..	1,697	15,313	—	17,010	5,649
Proceeds on disposal of assets..............	1,066	173	—	1,239	1,753
Interest.................	—	—	460	460	970
Other income............	—	—	428	428	286
	12,807	19,044	888	32,739	8,658
Decreases in net assets in liquidation					
Scrap processing.........	5,473	922	—	6,395	—
Demolition and remediation............	—	9,633	—	9,633	2,604
General and administration..........	864	1,378	1,174	3,416	1,781
Salaries and wages........	126	1,176	93	1,395	1,317
Property taxes...........	115	1,039	70	1,224	1,024
Professional fees.........	520	1,471	111	2,102	986
Electricity...............	72	616	36	724	913
Reversal of non-specific provisions for closure costs..........	—	—	—	—	(2,802)
	7,170	16,235	1,484	24,889	5,823
Increase (decrease) in net assets in liquidation......	$ 5,637	$ 2,809	$ (596)	7,850	2,835
Net assets in liquidation - Beginning of period......				29,285	26,450
Net assets in liquidation - End of period...........				$ 37,135	$ 29,285

SYDNEY STEEL CORPORATION

Notes to Financial Statements
For the 15-months ended March 31, 2003

1. Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by the special act of the Province of Nova Scotia.

2. Significant accounting policies

a) Basis of presentation:

Effective December 31, 2000 the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2003 are valued at the lower of cost and net realizable value.

c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2003, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

d) Property, plant and equipment

Property, plant and equipment are amortized using the straight - line method at the following rates:

Equipment	10 years
Vehicles	5 years

e) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

f) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities" "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

g) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquation for the period. During the current period, a foreign exchange loss of $776,000 was recorded in the financial statements.

3. Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations;

- agreed to assume responsibility for Sydney Steel Corporation site environmental matters; and

- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure activities and demolition and remediation activities. Expenses incurred during the period related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- $1.697 million (2001 - $1.859 million) in respect of closure activities; and
- $15.313 million (2001 - $3.790 million) in respect of demolition and remediation activities.

4. Property, plant and equipment

(In thousands)

	March 31, 2003 Cost	March 31, 2003 Accumulated Amortization	March 31, 2003 Net book Value	December 31, 2001 Net book Value
Related to closure activities				
Land, buildings and equipment	$ 441,298	$ 441,297	$ 1	$ 1
Related to demolition and remediation activities				
Equipment	741	43	698	---
Vehicles	55	7	48	---
Total	$ 442,094	$ 441,347	$ 747	$ 1

Amortization for the period of $50,000 (2001 - nil) is included in demolition and remediation costs.

5. Commitment

a) In fiscal 2001, the Corporation engaged a demolition firm to remove structures and buildings on the property.

The value of the contract is estimated at $7.7 million. For the period ended March 31, 2003, the Corporation incurred expenditures of approximately $2.3 million (2001 - $1.5 million) which are included in demolition and remediation costs.

b) Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.

c) During the current period, the Corporation signed an agreement to sell all the steel production equipment for $3 million US. The equipment is to be removed by the latest of fiscal 2005. In the current period, revenue of $ 646,460 has been recorded in the financial statements.

6. Related party transactions

Included in the statement of changes in net assets in liquidation are charges for labor and materials of $3,345,000 (2001 - $737,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

AUDITORS' REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits and deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2003 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 2003 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

E. Roy Salmon, FCA
Auditor General

Halifax, Canada
May 23, 2003

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31

	2003	2002
NET ASSET AVAILABLE FOR BENEFITS		
Assets		
Marketable securities under administration:		
Cash and short-term notes	$ 589,590	$ 2,219,765
Bonds and debentures	6,402,686	13,730,950
Equities	9,727,946	23,103,835
Interest and dividends receivable	81,175	219,855
	16,801,397	39,274,405
Cash	56,106	48,996
	16,857,503	39,323,401
Liabilities		
Accounts payable and accrued liabilities	66,921	357,205
Net Assets Available for benefits	$ 16,790,582	$ 38,966,196
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 242,675,300	$ 236,122,900
Deficiency (Note 3)	(225,884,718)	(197,156,704)
Accrued pension benefits net of deficiency	$ 16,790,582	$ 38,966,196

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits for the Year Ended March 31, 2003

	2003	2002
Increase In Assets		
Contributions:		
Province of Nova Scotia	$ 7,363,552	$ ---
Sydney Steel Corporation	---	141,852
Employees	---	79,347
Investment income:		
Interest on investments	576,426	1,237,969
Dividends on investments	161,101	487,653
Gain on sale of investments	665,274	3,628,923
Total increase in assets	8,766,353	5,575,744
Decrease In Assets		
Benefits paid	25,141,076	28,319,083
Operating expenses (Note 4)	320,240	490,506
Current period change in market values of investments	5,480,651	4,807,746
Total decrease in assets	30,941,967	33,617,335
Decrease In Net Assets	(22,175,614)	(28,041,591)
Net Assets Available for Benefits at Beginning of Year	38,966,196	67,007,787
Net Assets Available for Benefits at End of Year	$ 16,790,582	$ 38,966,196

See accompanying notes to consolidated financial statements.

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Termination and death benefits are available if certain criteria are met.

c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees.

A service pension is available based on $35.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.

2. Significant Accounting Policies:

a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities:

Marketable securities are reported as of the trade date and stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Bonds, debentures and equities are valued using published market quotations. The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

3. Actuarial Valuation:

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Limited performed a valuation as at December 31, 2001 and issued their report in September 2002. The report indicated that the Plans had an unfunded liability of $192.5 million. A projection to March 31, 2003, applying the assumptions summarized below, indicated an unfunded liability of $225.9 million (March 31, 2002 - $197.2 million).

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	Estimate March 31, 2003	Valuation December 31, 2001
Inflation (only applied to the salary plan)	3.0% per annum	3.0% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	6.17% per annum	7.05% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

4. Operating Expenses:

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2003	2002
Investment Expenses		
Investment management fees	$ 151,626	$ 90,646
Professional services	—	78,424
	$ 151,626	$ 169,070
Plan Administration		
Professional services	$ 56,103	$ 171,623
Salaries	75,066	138,711
Supplies and services	21,780	3,362
Travel	6,568	6,174
Other	9,097	1,566
	$ 168,614	$ 321,436
Total Operating Expenses	$ 320,240	$ 490,506

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule A - Assets Available for Benefits by Pension Plan
March 31

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2003				
Investments	$ ---	$ 16,518,423	$ 282,974	$ 16,801,397
Cash	54,530	1,576	---	56,106
	54,530	16,519,999	282,974	16,857,503
Less: Accounts payable and accrued liabilities	54,441	11,529	951	66,921
Net assets available for benefits	$ 89	$ 16,508,470	$ 282,023	$ 16,790,582
Accrued pension benefits	$ 186,457,600	$ 53,891,600	$ 2,326,100	$ 242,675,300
Deficiency	(186,457,511)	(37,383,130)	(2,044,077)	(225,884,718)
Accrued pension benefits net of deficiency	89	16,508,470	282,023	$ 16,790,582
2002				
Investments	$ 14,028,965	$ 24,600,494	$ 644,946	$ 39,274,405
Cash	630	---	48,366	48,996
	14,029,595	24,600,494	693,312	39,323,401
Less: Accounts payable and accrued liabilities	257,821	79,186	20,198	357,205
Assets available for benefits	$ 13,771,774	$ 24,521,308	$ 673,114	$ 38,966,196
Accrued pension benefits	$ 182,238,800	$ 51,589,300	$ 2,294,800	$ 236,122,900
Deficiency	(168,467,026)	(27,067,992)	(1,621,686)	(197,156,704)
Accrued pension benefits and deficiency	13,771,774	24,521,308	673,114	$ 38,966,196

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule B - Changes in Assets Available for Benefits by Pension Plan
Year ended March 31, 2003

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2003				
Increase in Assets				
Contributions:				
Province of Nova Scotia	$ 7,275,612	$ 83,054	$ 4,886	$ 7,363,552
Interest and dividends on investments	124,324	599,581	13,622	737,527
Gain on sale of investments	148,564	505,893	10,817	665,274
	7,548,500	1,188,528	29,325	8,766,353
Decrease in Assets				
Benefits paid	19,804,914	4,995,624	340,538	25,141,076
Administrative expenses	291,373	38,105	(9,238)	320,240
Current period change in market value of investments	1,223,898	4,167,637	89,116	5,480,651
	21,320,185	9,201,366	420,416	30,941,967
Decrease in Net Assets	(13,771,685)	(8,012,838)	(391,091)	(22,175,614)
Assets available for benefits, beginning of year	13,771,774	24,521,308	673,114	38,966,196
Assets available for benefits, end of year	$ 89	$ 16,508,470	$ 282,023	$ 16,790,582
2002				
Increase in Assets				
Contributions:				
Sydney Steel Corporation	$ 4,064	$ 135,370	$ 2,418	$ 141,852
Employees	10,247	69,100	—	79,347
Interest and dividends on investments	702,333	1,008,007	15,282	1,725,622
Gain on sale of investments	1,476,994	2,119,792	32,137	3,628,923
	2,193,638	3,332,269	49,837	5,575,744
Decrease in Assets				
Benefits paid	23,248,083	4,925,557	145,443	28,319,083
Administrative expenses	319,346	155,486	15,674	490,506
Current period change in market value of investments	1,956,782	2,808,387	42,577	4,807,746
	25,524,211	7,889,430	203,694	33,617,335
Decrease in Net Assets	(23,330,573)	(4,557,161)	(153,857)	(28,041,591)
Assets available for benefits, beginning of year	37,102,347	29,078,469	826,971	67,007,787
Assets available for benefits, end of year	$ 13,771,774	$ 24,521,308	$ 673,114	$ 38,966,196

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2003 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 6, 2003

TRADE CENTRE LIMITED

Consolidated Balance Sheet
March 31, 2003, with comparative figures for 2002

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,738,988	$ 1,997,215
Accounts receivable (note 2)	2,881,046	1,804,995
Inventories	173,051	138,771
Prepaid expenses	49,450	237,361
	4,842,535	4,178,342
Property and equipment (note 3):		
Land, building, furniture and equipment and tenant leaseholds	39,296,712	39,726,176
Less accumulated depreciation and amortization	(24,173,735)	(23,240,041)
	15,122,977	16,486,135
	$ 19,965,512	$ 20,664,477
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,533,540	$ 1,847,154
Due to the Province of Nova Scotia	785,624	502,221
Event deposits	516,565	615,765
Deferred revenue	11,941	84,647
	3,847,670	3,049,787
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (note 4)	45,173,101	45,173,101
Deficit	(29,055,359)	(27,558,511)
	16,117,842	17,614,690
	$ 19,965,512	$ 20,664,477

Commitments (note 5)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit
Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Revenues:		
Convention Centre	$ 6,642,096	$ 4,440,049
Office Tower	2,177,787	2,114,593
Exhibition Park	1,613,574	1,558,984
World Trade Centre and Windows	666,879	585,926
Halifax Regional Municipality Convention Centre Operating Subsidy (note 6)	496,535	473,341
	11,596,871	9,172,893
Expenses:		
Event expenses	5,222,254	3,563,690
Salaries, wages and benefits	2,352,483	1,931,959
Administration	718,870	551,801
Advertising and marketing	357,513	650,022
Maintenance	996,898	760,761
Energy	909,857	716,312
Taxes and insurance	1,010,302	1,003,980
	11,568,177	9,178,525
Income (loss) from operations	28,694	(5,632)
Other income:		
Gain on disposal of assets	1,500	—
Interest income on short-term investments	25,710	72,854
	27,210	72,854
Income before depreciation and amortization	55,904	67,222
Depreciation and amortization	1,552,752	1,642,534
Loss for the year	(1,496,848)	(1,575,312)
Deficit, beginning of year	(27,558,511)	(25,983,199)
Deficit, end of year	$ (29,055,359)	$ (27,558,511)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Loss for the year	$ (1,496,848)	$ (1,575,312)
Items not involving cash:		
Depreciation and amortization	1,552,752	1,642,534
Gain on disposal of assets	(1,500)	---
Change in non-cash operating working capital	(124,537)	366,964
	(70,133)	434,186
Investments:		
Proceeds on disposal of furniture and equipment	1,500	10,927
Purchase of property and equipment	(189,594)	(1,138,068)
	(188,094)	(1,127,141)
Decrease in cash and cash equivalents	(258,227)	(692,955)
Cash and cash equivalents, beginning of year	1,997,215	2,690,170
Cash and cash equivalents, end of year	$ 1,738,988	$ 1,997,215

See accompanying notes to consolidated financial statements.

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial insititutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	**Rate**
Buildings	15 to 30 years
Furniture and equipment	3 to 5 years
Tenant leaseholds	Lease term

(f) Employee future benefits:

(i) Public service award:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of serivce to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(ii) Pension plan:

Full time employees of the Trade Centre Limited are members of the Nova Scotia Public Service Superannuation Plan. Accrued benefit obligations are recognized in the financial statements of the Province of Nova Scotia.

2. Accounts receivable:

	2003	2002
Halifax Metro Centre	$ 872,711	$ 665,854
Convention Centre events	909,978	445,756
Exhibition Park events	205,217	306,438
Events Halifax funding	561,299	205,522
Atlantic Canada World Trade Centre	193,848	39,770
Other	106,599	40,180
Office Tower rents	94,434	135,739
	2,944,086	1,839,259
Less allowance for doubtful accounts	(63,040)	(34,264)
	$ 2,881,046	$ 1,804,995

3. Property and equipment:

	Cost	Accumulated depreciation and amortization	2003 Net	2002 Net
Land	$ 213,113	$ —	$ 213,113	$ 213,113
Building	34,617,376	20,128,536	14,488,840	15,847,928
Furniture and equipment	2,960,465	2,571,330	389,135	352,840
Tenant leaseholds	1,505,758	1,473,869	31,889	72,254
	$ 39,296,712	$ 24,173,735	$ 15,122,977	$ 16,486,135

4. Contributed surplus:

	2003	2002
Government of Canada	$ 2,750,000	$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	$ 45,173,101	$ 45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

5. Commitments:

(a) Trade Centre Limited is committed to payments under operating leases with terms expiring between 2002 and 2004. Annual payments are as follows:

2004	$ 307,343
2005	291,383
2006	300,125
2007	309,129
2008	292,397

(b) Trade Centre Limited has entered into a contract in which they have guaranteed a miminum profit in the amount of $400,000 to the Canadian Hockey Association in connection with the hosting of the World Women's Hockey Championship by the Halifax Metro Centre in 2004.

6. Halifax Regional Municipality Convention Centre Subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2003 fiscal year in these consolidated financial statements.

7. Supplementary Employee Reitrement Plan:

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2003, which is unfunded, is $113,352 (2002 - nil). This amount is also the benefit expense for the year (2002 - nil).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

8. Related party transactions:

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 2003, rental revenue and tenant recoveries included $1,689,774 (2002 - $1,697,953) received from departments and agencies of the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

9. Events Halifax:

Events Halifax ("Eh!") is a division of the Centre and is included in the activity of the Convention Centre. Eh! was established in fiscal 2000. The purpose of Eh! is to provide marketing and promotion services for the benefit of bringing major sporting and cultural events to the Halifax Regional Municipality.

Convention centre revenue and event expenses both include the amount of $712,616 (2002 - $236,234) relating to the operations of Eh!. Contributions in the amount of nil (2002 - $84,647) have been deferred and included in deferred revenue.

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 2003, and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 3, 2003

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Balance Sheet
as at March 31, 2003

LIABILITIES AND EQUITY	2003	2002
Current		
Accounts payable and accrued liabilities	$ 1,000	$ 1,000
	1,000	1,000
Equity		
Capital stock	1	1
Contributed surplus (Note 3)	5,667,174	5,667,174
Deficit	(5,668,175)	(5,668,175)
	(1,000)	(1,000)
	$ —	$ —

Contingency (Note 5)

Statement of Income and Deficit
for the year ended March 31, 2003

	2003	2002
Revenue		
Contributions from the Province (Note 4)	$ 2,054	$ 4,994
	2,054	4,994
Expenses		
Professional fees	1,000	1,050
Workers' compensation (Note 2)	969	179
Dues and fees	85	85
Miscellaneous	—	107
	2,054	1,421
Net Income	—	3,573
Deficit, beginning of year	(5,668,175)	(5,671,748)
Deficit, end of year	$ (5,668,175)	$ (5,668,175)

See accompanying notes to financial statements.

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Notes to Financial Statements
March 31, 2003

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Tourism and Culture, and it is not actively involved in the operation of the family theme park.

2. Significant Accounting Policies

(a) *Basis of Financial Statement Presentation*

These financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flow is not provided since disclosure in the balance sheet and income statement is considered adequate.

(b) *Workers' Compensation Benefits*

This balance represents management's best estimate of the present value of the future payments required for workers' compensation benefits of a former employee. An adjustment to workers' compensation benefits occurs when changes are made to the assumptions used in estimating the long-term liability. During the 2001 fiscal year, a settlement was accepted by the individual receiving benefit payments which eliminated the long-term liability.

3. Contributed Surplus

The contributed surplus balance represents the Province of Nova Scotia's investment in the fixed assets of the park when it was created net of a reduction made in 1994 when the fixed assets were transferred to the Province. No gain or loss was realized on the transfer.

4. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Company. The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined. Details of any transactions between the related parties are separately disclosed in the financial statements.

5. Contingent Liability

An individual, who incurred injuries while working at the park and was receiving workers' compensation benefits, received a lump sum settlement in the 2001 fiscal year. At some point in the future, if the individual's condition becomes worse, additional workers' compensation benefits would be payable by the Company.

Unaudited

VICTIMS' ASSISTANCE FUND

Balance Sheet
as at March 31, 2003

ASSETS

		2003		2002
Cash in Bank	$	408,292.45	$	410,982.14
Investments		475,196.11		498,870.29
	$	883,488.56	$	909,852.43

LIABILITIES

		2003		2002
Fund	$	---	$	909,852.43

Continuity of Fund
for the year ended March 31, 2003

		2003		2002
Balance, beginning of year	$	909,852.43	$	1,039,462.14
Receipts:				
Investment income		13,227.64		27,715.90
Bank interest		8,805.78		10,098.16
Deposits		917,744.17		778,270.34
Other		---		---
		939,777.59		816,084.40
Disbursements		(966,141.46)		(945,694.11)
Balance, end of year	$	883,488.56	$	909,852.43

Note to the Financial Statements
March 31, 2003

Investments at March 31, 2003 consisted of the following:

$478,073.37 BNS Banker's Acceptance 3.16% March 25, 2003 to June 03, 2003	$	475.196.11

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited at March 31, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 8, 2003, except for notes 11 and 14
which are as of June 26,2003

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Earnings and Retained Earnings
Year Ended March 31, 2003

	2003	2002
Revenue		
Rents	$ 2,979,257	$ 3,005,302
Recoveries	27,123	87,057
Interest income	5,379	84,261
Other income	20,721	104,526
Gain on sale of properties	—	8,335
Grant revenue	112,400	115,000
	3,144,880	3,404,481
Property expenses		
Property taxes	18,217	21,193
Operating	652,296	549,757
Depreciation and amortization	302,486	287,136
	972,999	858,086
Income before other items	2,171,881	2,546,395
Corporate expenses		
Directors' fees and expenses	36,768	30,517
Doubtful accounts	91,890	—
Office operations	62,872	55,753
Professional fees		
Audit	13,000	15,574
Programs	93,749	37,632
Legal (recovery)	33,221	(9,042)
Salaries, contracts and benefits	470,970	402,284
Waterfront promotions and public relations	41,688	73,404
	844,158	606,122
Loan interest	280,017	421,646
Depreciation on facilities for public access	82,843	82,741
Contribution to non-owned infrastructure	213,183	47,588
	576,043	551,975
Net earnings before unusual item	751,680	1,388,298
Unusual item (Note 15)	—	240,000
Net earnings	$ 751,680	$ 1,148,298
Retained earnings, beginning of year	$ 1,269,354	$ 971,056
Net earnings	751,680	1,148,298
Transfer from (to) General Development Reserve (Note 8)	1,800,000	(450,000)
Transfer to Infrastructure Renewal Fund (Note 9)	(400,000)	(400,000)
Retained earnings, end of year	$ 3,421,034	$ 1,269,354

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Balance Sheet
March 31, 2003

	2003	2002
ASSETS		
Receivables - trade	$ 205,504	$ 453,835
Notes receivable (Note 3)	60,544	74,438
Prepaids	6,947	6,319
Real estate and development projects (Note 4)	27,509,602	27,724,045
Deferred costs	9,977	22,006
	$ 27,792,574	$ 28,280,643
LIABILITIES		
Bank indebtedness (Note 5 and 10)	$ 360,980	$ 277,055
Payables and accruals	434,992	199,625
Deferred revenue (Note 6)	1,928,414	15,000
Loan payable (Note 5)	6,655,364	10,155,364
	9,379,750	10,647,044
SHAREHOLDER'S EQUITY		
Capital stock (Note 7)	3	3
Contributed surplus	13,747,826	13,747,826
General Development Reserve (Note 8)	---	1,800,000
Infrastructure Renewal Fund (Note 9)	1,243,961	816,416
Retained earnings	3,421,034	1,269,354
	18,412,824	17,633,599
	$ 27,792,574	$ 28,280,643

Commitments (Note 11)
Contingency (Note 13)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Cash Flows
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 751,680	$ 1,148,298
Gain on sale of property	—	(8,335)
Depreciation and amortization	385,329	369,877
	1,137,009	1,509,840
Change in non-cash operating working capital (Note 10)	495,100	1,459,388
	1,632,109	2,969,228
Financing		
Interest earned on Infrastructure Renewal Fund	27,545	16,416
Decrease in notes receivable	13,894	37,738
Decrease in loan payable	(3,500,000)	(3,100,000)
	(3,458,561)	(3,045,846)
Investing		
Purchase of equipment	(38,848)	(10,117)
Purchase of real estate and construction projects, net	(726,288)	(1,025,970)
Payments received and applied during development of real estate and construction projects	594,250	844,180
Deferred revenue	1,913,413	—
Proceeds from sale of property	—	8,900
	1,742,527	(183,007)
Net decrease in cash and cash equivalents	(83,925)	(259,625)
Bank indebtedness, net of cash and cash equivalents		
Beginning of year	(277,055)	(17,430)
End of year	$ (360,980)	$ (277,055)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax, Dartmouth and Bedford waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate. Revenue generated as a result of property development is applied as a reduction in the cost.

Government assistance
Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 4 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Non-owned infrastructure
The Board of Directors approves expenditures related to improvements to facilities for public access which are owned or leased by the Corporation. These expenditures are expensed as incurred.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Bank indebtedness and cash equivalents
Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

Financial instruments

The fair value of cash, receivables and payables and accruals approximate their carrying amounts because of their short term to maturity. The fair value of notes receivable and loans payable approximate their carrying amounts because of their variable interest rates.

3. Notes receivable

	2003	2002
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006	$ 48,179	$ 60,236
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing April 2008	12,365	14,202
	$ 60,544	$ 74,438

4. Real estate and development projects

	Cost	Accumulated Depreciation	2003 Net Book Value	2002 Net Book Value
Facilities for public access	$ 6,419,116	$ 1,364,771	$ 5,054,345	$ 5,134,638
Real estate and development projects	26,687,029	4,231,772	22,455,257	22,589,407
	$ 33,106,145	$ 5,596,543	$ 27,509,602	$ 27,724,045

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

(i) The Corporation has available a combined credit facility of $18,100,000, of which $14,500,000 is secured by a guarantee of the Province of Nova Scotia, bearing interest at prime, less 0.95 percent. The additional $3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii) Loan payable

	2003	2002
Capital projects	$ 4,900,000	$ 8,400,000
Department of Economic Development	1,755,364	1,755,364
	$ 6,655,364	$ 10,155,364

The loan from the Department of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

6. Deferred revenue

	2003	2002
Capital Projects	$ 1,860,914	$ —
Deposit from sale of property	67,500	15,000
	$ 1,928,414	$ 15,000

Consistent with prior years, the Corporation received amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess has been recorded as deffered revenue from capital projects.

7. Capital stock

	2003	2002
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

8. General development reserve

	2003	2002
Beginning balance	$ 1,800,000	$ 1,350,000
Transfer (to) from operations	(1,800,000)	450,000
Ending balance	$ —	$ 1,800,000

The Board of Directors established this reserve for future development and promotional projects. Contributions to and expenditures from this reserve are decided by the Board of Directors. During the year, the Board of Directors approved the transfer of the reserve to retained earnings.

9. Infrastructure renewal fund

The infrastructure renewal fund shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility.

	2003	2002
Beginning balance	$ 816,416	$ 400,000
Transfer from operations	400,000	400,000
Interest earned	27,545	16,416
Ending balance	$ 1,243,961	$ 816,416

10. Supplemental cash flow information

Change in non cash operating working capital

	2003	2002
Receivables	$ 248,331	$ 1,755,614
Prepaids	(628)	18,101
Payables and accruals	235,368	(304,112)
Deferred costs	12,029	(10,215)
	$ 495,100	$ 1,459,388

Bank indebtedness and cash equivalents are comprised of the following:

Cash in bank account and on hand	$ 5,824	$ 38,009
Line of credit	(366,804)	(315,064)
	$ (360,980)	$ (277,055)
Interest paid	$ 280,017	$ 421,646

11. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2004	$ 1,016
2005	1,016
2006	1,016
2007	1,016
2008	1,016

(ii) The Corporation has entered into agreements related to operations of Tall Ships 2004 totalling $88,125 for the coming year.

(iii) The Corporation has agreed to provide compensation, not to exceed $75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 2001 and includes pension assets of $2,962,800,000, and pension liabilities of $3,093,300,000, resulting in an unfunded liability of ($130,500,000). The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

13. Contingencies

(i) Waterfront Development Corporation is a defendant in an action brought forward, claiming specific performance of an alleged Agreement of Purchase and Sale for Parcel 4.5, lands of WDCL. This site has subsequently been sold, under which the agreement of purchase and sale required the Corporation to enter into an indemnity agreement to protect the purchaser against possible legal expenses and claims arising from this action. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements. Should the outcome be unfavourable, the Province will reimburse the Corporation for the amount settled.

(ii) The Corporation has entered into discussions with the Province to review the various financial commitments made by the Province respecting the amalgamation of Bedford Waterfront Development Corporation. Resulting cost recoveries, if any, are not determinable at this time and therefore are not reflected in these financial statements.

14. Subsequent events

(i) The Corporation entered into a agreement, dated June 2003, to purchase land in Dartmouth for an amount of $150,000.

(ii) The Corporation was notified that the Purchaser for a pending land sale was withdrawing from negotiations. The financial statements reflect a deposit of $67,500, as deffered revenue, that may have to be returned.

15. Unusual item

In the prior year, the Corporation settled a lawsuit for $240,000. This lawsuit was previously disclosed in the financial statements of Bedford Waterfront Development Corporation Limited. The Corporation is party to a suit against a third party in an attempt to recover certain of the funds paid.

16. Comparative figures

Certain of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

AUDITORS' REPORT

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statements of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2002 and 2001 and the statements of operations and unfunded liability and cash flows for the years then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young, LLP
Chartered Accountants

Halifax, Nova Scotia
February 28, 2003

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Financial Position
as at December 31, 2002

ASSETS

	2002	2001 (Restated-Note 3)
	(in thousands)	
Cash and cash equivalents	$ 33,314	$ 27,108
Receivables (Note 4)	17,965	16,346
Investments (Note 5)	715,483	671,070
Property and equipment (Note 6)	12,240	13,167
Other assets (Note 7)	1,800	1,950
	$ 780,802	$ 729,641

LIABILITIES

	2002	2001
Payables and accruals	$ 12,817	$ 13,768
Employee future benefits (Notes 2f, 8 and 18)	3,838	3,490
Benefits liabilities (Note 9)	1,050,479	1,002,978
	1,067,134	1,020,236
Unfunded liability	(286,332)	(290,595)
	$ 780,802	$ 729,641

Commitments (Note 16)
Contingencies (Note 17)

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Operations and Unfunded Liability
Year Ended December 31, 2002

	2002	2001 (Restated-Note 3)
	(in thousands)	
Revenue		
Assessments (Notes 10 and 14)	$ 201,526	$ 189,914
Net investment income (Notes 5 and 14)	27,294	47,918
	228,820	237,832
Claims costs incurred (Notes 9 and 14)		
Short-term disability	36,751	34,788
Long-term disability	51,553	54,028
Survivor benefits	4,794	5,305
Health care	26,623	22,776
Rehabilitation	2,369	2,289
	122,090	119,186
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 9)	47,179	69,306
Administration costs (Notes 11 and 14)	26,513	24,524
Legislated obligations (Note 12)	8,470	7,063
	204,252	220,079
Excess of revenue over expenses before the following	24,568	17,753
Adjustment to benefits liabilities (Note 9)	20,305	—
Excess of revenue over expenses applied to reduce the unfunded liability	4,263	17,753
Unfunded liability, beginning of year as originally stated	(289,338)	(307,789)
Restatement (Note 3)	(1,257)	(559)
Unfunded liability, beginning of year, as restated	(290,595)	(308,348)
Unfunded liability, end of year	$ (286,332)	$ (290,595)

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Cash Flows
Year Ended December 31, 2002

	2002	2001 (Restated-Note 3)
	(in thousands)	
Operating Activities		
Cash received from:		
Employers, for assessments	$ 198,334	$ 191,830
Net investment income	21,057	21,237
	219,391	213,067
Cash paid to:		
Claimants or third parties on their behalf	(140,364)	(138,667)
Suppliers, for administrative and other goods and services	(33,125)	(28,578)
	(173,489)	(167,245)
Net cash provided by operating activities	45,902	45,822
Investing Activities		
Increase in investments net	(38,176)	(63,969)
Cash paid for:		
Purchases of equipment	(1,520)	(2,867)
Net cash used in investing activities	(39,696)	(66,836)
Net increase (decrease) in cash and cash equivalents	6,206	(21,014)
Cash and cash equivalents, beginning of year	27,108	48,122
Cash and cash equivalents, end of year	$ 33,314	$ 27,108

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
Year Ended December 31, 2002 and 2001 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act (the "Act"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new Act received Royal Assent on February 6, 1995. Amendments to the Act received Royal Assent on April 16, 1999. Further amendments to the Act received Royal Assent on November 28, 2002. The Act contains several provisions dealing with retroactive entitlement for permanent disability. Permanent injuries incurred before March 23, 1990, will be compensated according to the worker's level of physical impairment. Permanent injuries incurred on or after this date are primarily compensated according to the earnings loss resulting from the injury.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, which include the following accounting policies:

a) Cash and Cash Equivalents

Money market instruments with maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) Investments

Fixed-term investments are recorded at amortized cost. Gains or losses realized on disposal of fixed-term investments are amortized on a straight-line basis over a five-year period.

Equity investments are stated at moving average market value. Under this method unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

d) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) Other Assets

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) Employee Future Benefits

Costs for employee future benefits other than pensions (note 18) are accrued over the periods in which the employees render services in return for these benefits. Any related actuarial gains and losses are amortized on a straight-line basis over the employees average remaining service life.

g) Benefits Liabilities

An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to occupational disease or for future expenses for administration of existing claims.

h) Foreign Currency Translation

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

i) Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

j) Financial Instruments

The carrying values of WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms.

The WCB's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of employers on normal credit terms. At year-end the WCB did not have any exposure relating to derivative instruments.

k) Comparative Figures

Certain 2001 comparative figures have been reclassified to conform with the 2002 presentation.

3. RESTATEMENT OF PRIOR PERIODS' INVESTMENT INCOME

During the year, prior years' financial statements were restated to amortize non-cash gains and losses over a five-year period as required by WCB accounting policy as described in Note 2c. The effect of this retatement was that investment income was increased in 1999 by $30 and decreased in 2000 and 2001 by $589 and $698 respectively.

The 2001 financial statements have been restated to reflect:

Increase in unfunded liabity at December 31, 2000	$	559
Decrease in net investment income at December 31, 2001	$	698
Increase in unfunded liabity and decrease in investments at December 31, 2001	$	1,257

4. RECEIVABLES

	2002	2001
	(in thousands)	
Assessments	$ 16,807	$ 14,944
Self-insured employers (Note 13)	3,920	4,365
Assessments receivable	20,727	19,309
Self-insured employers - deposits (Note 13)	(4,001)	(4,001)
Harmonized Sales Tax rebate	323	396
Other	916	642
	$ 17,965	$ 16,346

Assessments receivable are net of an allowance for doubtful accounts of $1,140 in 2002 (2001 -$1,687). Other receivables are net of an allowance for doubtful accounts of $133 in 2002 (2001 - $99).

5. INVESTMENTS

(In thousands)

	2002 Carrying Value	2002 Fair Market Value	2001 Carrying Value	2001 Fair Market Value
Money market	$ 16,951	$ 16,951	$ 38,430	$ 38,455
Fixed-term investments	248,450	254,929	231,708	234,871
Equities	454,467	407,625	440,358	437,621
Accrued interest	2,210	2,108	2,758	2,757
	722,078	681,613	713,254	713,704
Deferred realized investment and foreign exchange gains	(6,595)	—	(42,184)	—
Total	$ 715,483	$ 681,613	$ 671,070	$ 713,704

Deferred realized investment and foreign exchange gains

	2002	2001
		(In thousands)
Balance, Beginning of year	$ 42,184	$ 49,760
Realized net (losses) gains for the year	(24,857)	12,169
	$ 17,327	$ 61,929
	(10,732)	(19,745)
Balance, end of year	$ 6,595	$ 42,184

Investment Income

	2002	2001
Interest and dividends	$ 21,366	$ 20,609
Amortization of deferred realized investment gains	10,732	19,745
Amortization of deferred unrealized investment (losses) gains	(3,426)	8,712
	$ 28,672	$ 49,066
Less: Portfolio management expenses	(1,378)	(1,148)
Total Investment Income	$ 27,294	$ 47,918

6. PROPERTY AND EQUIPMENT

	2002		
	Cost	Accumulated Amortization	Net Book Value (in thousands)
Land	$ 155	$ —	$ 155
Building	3,380	1,387	1,993
Furniture and facilities	2,358	760	1,598
Equipment and computer hardware	2,807	1,877	930
Software and process development	14,834	7,270	7,564
	$ 23,534	$ 11,294	$ 12,240

	2001		
	Cost	Accumulated Amortization	Net Book Value (in thousands)
Land	$ 155	$ —	$ 155
Building	3,380	1,300	2,080
Furniture and facilities	1,994	557	1,437
Equipment and computer hardware	2,881	1,717	1,164
Software and process development	14,593	6,262	8,331
	$ 23,003	$ 9,836	$ 13,167

7. OTHER ASSETS

	2002	2001
	(in thousands)	
Cost	$ 3,750	$ 3,750
Accumulated amortization	(1,950)	(1,800)
	$ 1,800	$ 1,950

During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16 bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

8. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post employment life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	Benefit Plans Other Than Pension 2002	**Benefit Plans Other Than Pension 2001**
Discount Rate	6.75%	6.75%
Expected health care costs trend rate	8% decreasing annually by 1% increments to an ultimate rate of 5%	9% decreasing annually by 1% increments to an ultimate rate of 5%
Drug claim increases trend rate	10% decreasing annually by 1% increments to an ultimate rate of 6%	11% decreasing annually by 1% increments to an ultimate rate of 6%
Retirement age assumption	59 years.	59 years.

The current year's net expense incurred for future employee benefits is $452 (2001 - $452).

9. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Total 2002	Total 2001
						(in thousands)	
Balance, beginning of year .... $	63,702 $	710,675 $	125,670 $	92,612 $	10,319 $	1,002,978 $	955,004
Growth in present value of benefits liabilities	4,684	53,116	9,100	6,804	770	74,474	71,626
Change in actuarial assumptions (a)............	---	(16,337)	(18,526)	6,785	328	(27,750)	(35,221)
Actuarial experience Adjustments (b)	(1,726)	(26,523)	12,696	16,861	(853)	455	32,901
	2,958	10,256	3,270	30,450	245	47,179	69,306
Claims costs incurred	36,751	51,553	4,794	26,623	2,369	122,090	119,186
Claims payments made	(39,250)	(56,475)	(13,474)	(30,394)	(2,480)	(142,073)	(140,518)
Adjustments to Benefits liabilities (c).............	---	18,730	1,575	---	---	20,305	---
Balance, end of year .... $	64,161 $	734,739 $	121,835 $	119,291 $	10,453 $	1,050,479 $	1,002,978

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

2002

Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50% * CPI	2%	5.5%
Medical Aid, Rehibilitation and non-income	1.0% + CPI	5%	2.5%
All others	CPI	4%	3.5%

2001

Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	50% * CPI	2%	5.5%
LTD, Survivor Pensions	50% * CPI	2%	5.5%
Medical Aid, Rehibilitation and non-income	1/2% + CPI	4.5%	3%
All others	CPI	4%	3.5%

The WCB's independent actuaries, in their report of February 3, 2003, have noted that limited claims experience is only yet available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities earnings-loss benefits to be granted in the future is $367,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

(a) Change in actuarial assumptions:

During the year, changes were made in the actuarial assumptions reducing the overall benefits liabilities by $27,750 (2001 - $35,221). Generally, the changes noted below affect more than one benefit category.

- A change to the discount rate applied to Clinical Rating System lump sum awards increased the liability by $285.
- Provisions for payments relating to medical claims increased the liability by $6,043, as a result of increasing the cost increase assumption from 0.5% to 1.0% greater than the Consumer Price Index.
- Mortality rates were decreased to reflect the general population trend towards increased longevity. As a result, the liability was increased by $13,847.
- Based on experience, the probability of a payout of an eligible death claim resulting in an income benefit to a survivor was decreased. This reduced the liability by $19,911.
- Based on experience to date, the liabilities for long term disability were reduced by $28,014.

(b) Actuarial experience adjustments

Actuarial experience adjustments represent the difference between what is predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred during the year.

(c) Adjustments to benefits liabilities

Introduced in 1995, the Supplementary Benefit Program provides benefits to injured workers with permanent disabilities who, because of their date of injury, do not quality to be considered for earnings loss benefits under the Workers' Compensation Act. In April 2002, the Workers' Compensation Review Committee released its report on a review of the workers' compensation system. The Review Committee concluded that the amount payable under the current Supplementary Benefit Program was not sufficient and an increase in the benefit amount was required. The Committee recommended an amendment to the legislation and regulation "to remove the monthly maximum payment and increase the income threshold for individuals to one-half the average industrial wage from year to year." In November 2002, this recommendation was adopted by government effective October 1,2002. The cost of implementing this change is an estimated one-time increase of $20.3 million to the WCB's benefits liabilities.

10. ASSESSMENTS

	2002 (in thousands)	2001
Classes	$ 169,659	$ 155,340
Self-insured employers (Note 13)	30,327	32,401
Assessment and reporting penalties	1,134	1,481
Premium adjustment charge	406	692
	$ 201,526	$ 189,914

Assessment revenue is shown net of bad debt expense of $1,280 in 2002 (2001-$666).

11. ADMINISTRATION COSTS

	2002 (in thousands)	2001
Salaries and staff expense	$ 18,429	$ 16,837
Amortization	2,586	2,406
Services contracted	1,223	1,150
Building operations	1,200	1,313
Supplies	789	732
Professional fees	665	499
Communications	639	631
Travel and accommodations	520	579
Training and development	409	329
Equipment rental	37	31
Miscellaneous	16	17
	$ 26,513	$ 24,524

12. LEGISLATED OBLIGATIONS

	2002 (in thousands)	2001
Occupational Health and Safety	$ 4,834	$ 4,035
Workers' Compensation Appeals Tribunal	1,434	1,208
Workers' Advisers Program	1,975	1,502
Workers' Compensation Review Committee	227	318
	$ 8,470	$ 7,063

The WCB is required by the Act to reimburse the Government of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

The Statutory Review Committee was appointed pursuant to the Act to review, report on and make recommedations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the Act to absorb the operating costs of the Workers' Compensation Review Committee.

13. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies - who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2002 (in thousands)	2001
Revenue	$ 30,327	$ 32,401
Claims costs incurred		
Short-term disability	$ 4,110	$ 4,882
Long-term disability	14,576	15,457
Survivor benefits	3,063	3,270
Health care	4,030	3,992
Rehabilitation	219	272
	25,998	27,873
Administration costs	4,329	4,528
	$ 30,327	$ 32,401

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. These employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self insured.

14. RELATED PARTY TRANSACTIONS

Pursuant to various legislative amendments to the Act, the Province of Nova Scotia reimburses the WCB for certain claims costs incurred. These claims payments are billed and recovered on a monthly basis. Total recoveries for 2002 were $224 (2001 - $988). Claims payments and costs incurred indicated in Note 9 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 13 for the Province of Nova Scotia are as follows:

		2002		2001
		(in thousands)		
Revenue	$	3,817	$	3,706
Claims costs incurred	$	3,129	$	3,052
Administration charges		688		654
	$	3,817	$	3,706

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2002, the amount receivable from the Province of Nova Scotia was $534 (2001 - $717).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $671 in 2002 (2001 - $1,526). Total funds invested in notes due from the Province as at December 31, 2002 were $27,000 (2001 -$18,000).

15. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee		2002		2001
			(in thousands)		
Construction	Nova Scotia Construction Safety Association	$	856	$	861
Forestry	Forestry Safety Society	$	279	$	279
Trucking	Nova Scotia Trucking Safety Association	$	217	$	220
Retail Gasoline	Retail Gasoline Dealers' Association	$	24	$	24

16. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

		(in thousands)
2003	$	837
2004	$	832
2005	$	276
2006	$	220
2007	$	196
	$	2,361

17. CONTINGENCIES

On January 31, 2000, the Workers' Compensation Appeals Tribunal issued two decisions indicating certain provisions of the Act and Regulations pursuant to the Act were unconstitutional. This decision was overturned by the Nova Scotia Court of Appeal on November 8, 2000. The Appellants appealed the Court of Appeal to the Supreme Court of Canada, who heard oral arguments on December 9, 2002. The decision from the Supreme Court of Canada is expected some time in 2003. The provisions affected by the decisions relate specifically to the eligibility of workers to receive benefits for chronic pain. Unresolved issues surrounding this ruling have the potential to increase benefits liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.

18. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund, (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2002 were $845 (2001 - $813) and are recognized as an expense in the period. The WCB is not responsible for any unfunded liability, nor does the WCB have any access to any surplus that may arise in this Plan.

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